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ABSTRACT

Two elements were identified as being of paramount importance in the examination of manpower policy in Denmark: (1) the division of responsibilities for matters of direct concern to the labor market between different branches of government and the social partners--an important facet of the social framework of a country, and (2) the impact of economic development and the constraints it has imposed on labor market institutions and operations. A major concern of Danish manpower policy has been maintaining full employment while achieving equilibrium in the balance of payments and controlling inflationary pressures. Conclusions drawn by the Manpower and Social Affairs Committee of the Organization for Economic Cooperation and Development relate to the areas of: the context of manpower administration, training, the public employment service, and future development of manpower policy. The examiners' report covers in detail the economic context, institutions and machinery for the implementation of manpower policy, and the context of manpower administration. (SA)

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DENMARK

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BASIC STATISTICS

DENMARK

(1972 data unless otherwise stated)

Population: 5.0 million (increasing in period 1962-72 by 0.7% per annum)

Labour force: 2.4 million (increasing in period 1962-72 by 0.1% per annum)

Males: 1.5 million (participation rate of age groups 15-74: 83%)
Females: 0.9 million (participation rate of age groups 15-74: 51%)
Wage and salary earners: 80%
Employers, self-employed and family workers: 20%

Employment	Numbers in '000	Percentage of labour force
Agriculture, fishing, forestries	265	11
Manufacturing industry	700	29
Building and construction	206	9
Wholesale and retail trade, hotels	374	16
Transport storage and communications	158	7
Administration and liberal professions	504	21
Other services	162	7
Unspecified	21	0.9
Unemployed	30	1.3
Employment Service placings	1972/3: 221,000 1971/2: 222,000	

Persons in government-sponsored or financed adult training courses
1972/3: 46,000

Production

GDP at factor cost: 140 milliard D. Kr.

Annual rate of real GDP growth (1965-72): 4.5%

Earnings

Average hourly earnings of male wage earners: 22 D. Kr.

Index of hourly earnings of male skilled workers in main towns, October 1972: 157 (October 1968 = 100)

Currency

	November 1972	February 1973	June 1973
Danish Kroner per U.S.$	6.88	6.83	5.85
Danish Kroner per u.a. (EEC)		7.58	7.58

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CONTENTS

Basic Statistics ..... (inside cover)

Foreword 5

SUMMARY AND CONCLUSIONS OF THE MANPOWER AND SOCIAL AFFAIRS COMMITTEE 6

Introduction 6
The Context of Manpower Administration 8
Training 9
The Public Employment Service 11
Future Development of Manpower Policy 13

REPORT OF THE EXAMINERS

Chapter I

INTRODUCTION 15

Chapter II

THE ECONOMIC CONTEXT 17

Balance of Payments 17
Structural Changes 17
Demand Pressure, Wages and Costs 18
Need for Shift of Resources 19
Market Forces and Resource Allocation 20
The Appropriateness of Selective Manpower Measures ... 21
Purposes and Uses of an Active Labour Market Policy ... 22
New Techniques 23
Demographic Features 25

Chapter III

INSTITUTIONS AND MACHINERY FOR THE IMPLEMENTATION OF MANPOWER POLICY 31

Introduction 31
Manpower Administration in Denmark 31
Public Employment Service (PES) 32

Training 37

Introduction 37
The Apprenticeship System 38
Training for Unskilled Workers 40
Retraining of Skilled Workers 41
Comments on Training and Retraining Schemes 41

The Unemployment Insurance System 45
Measures to Aid Geographical Mobility of Labour 49
Manpower Information 49
Seasonal Stabilization and Temporary Job Creation Policies 50
Volume of Resources devoted to Governmental Manpower Policies 52

Chapter IV

THE CONTEXT OF MANPOWER ADMINISTRATION 55

FOREWORD

This report is one of a series which has been published by OECD over the past ten years. Fourteen reports have now been produced and a further three reports (covering Ireland, Australia and Finland) will be issued in 1974 and 1975 to complete the series.

These reports are the outcome of examinations sponsored by the Manpower and Social Affairs Committee in agreement with the government of the country concerned in order to obtain an analysis of and comments on its manpower policy by outside experts, together with the conclusions of the OECD Manpower and Social Affairs Committee. The Committee, in its consideration of the experts' report, endeavours to draw out points where experience of other countries could be helpful to the country being examined. It also indicates those areas where the experience of the country examined could be of interest to other countries in OECD.

In the present examination the experts appointed by OECD, and whose report forms the main part of this publication, were:

Mr. J. A. AGNEW, Director General of AnCO, the Irish Training Authority, Dublin.

Mr. Santosh MUKHERJEE, Tutor in Industrial Relations and Economics at the University of Oxford and Economist at Political and Economic Planning, London.

Mr. O. WIIG, Director of the Central Committee for Norwegian Research, Oslo, and

Mr. J. D. McBAIN, Manpower and Social Affairs Directorate OECD, Paris.

The examiners' report is based primarily on the examiners' findings drawn from discussions held with authorities and interested bodies in Denmark in June and December 1971, updated and completed in exchanges of information with the Danish Ministry of Labour in 1972.

In July 1973 the report was considered by the Manpower and Social Affairs Committee where Denmark was represented by Mr. E. Dinesen, Minister of Labour, Mr. Coln, Mr. Kirstein, Mr. Westergaard, and Mr. Kjeldgaard of the Ministry of Labour and Mr. Løhse of the Ministry of Economic Affairs. In November of the same year the Committee adopted the Summary and Conclusions appearing at the beginning of the published report.

In addition to the published material the Committee also had before it a factual background report prepared by the Danish Ministry of Labour and a supplementary personal report by one of the examiners (Mr. O. Wiig). Copies of these papers can be obtained on application to the Manpower and Social Affairs Directorate, OECD.

SUMMARY AND CONCLUSIONS
OF THE MANPOWER AND SOCIAL AFFAIRS COMMITTEE

INTRODUCTION

An examination of a country's manpower policy, as carried out by the OECD Manpower and Social Affairs Committee, is not simply an assessment of the extent to which the country fulfills the requirements of the OECD recommendation on active manpower policy. It is rather an attempt to follow the main lines in the country's development of this policy and to relate them to the other relevant strands of the national social and economic development.

In the Danish examination two elements have been of paramount importance: the division of responsibilities for matters of direct concern to the labour market between the different branches of Government and the social partners; and the impact of economic development and the constraints it has imposed on labour market institutions and operations.

The first of these elements is an important facet of the social framework of a country. Countries, even the smallest of them, are composed of a complex web of relationships and attempts to categorize these relationships are accordingly subject to high risks of error. Accepting these risks it seems not unreasonable to stress the tradition of democracy engrained in Danish history and firmly rooted in present day society. This takes the form partly of voluntary associations to attain specific social objectives, such as satisfactory conditions of employment and protection against the risks of unemployment. The craft-centred trade unions are an example. It also takes the form of devolution of decision-making from the centre of government to groups directly concerned with the execution of policy at the local level. The recent reform of local government giving the municipalities important new powers in fields of social welfare and health services is indicative of this trend.

It is against this background of the way in which Danish society is organised - a way which, incidentally, points to further reforms, such as the current proposals for economic democracy and workers' participation - that the evolution of manpower policy has to be traced. This aspect of the Danish manpower situation is of particular interest at a time when many countries are considering how best they can organise their manpower administration so as to obtain the necessary flexibility of response to rapidly changing economic circumstances, without sacrificing the possibilities for parliamentary scrutiny of policy and approval of budgets, or of co-ordination with other major branches of government economic activity. It gives rise to such fundamental questions as: how to reconcile decentralization of decision-making with a due consideration of national objectives in both the short and the long term and in a variety of different fields; and how to retain an efficient administrative machine

which will treat all who make use of it equitably, whilst reducing central control to a minimum and ensuring maximum freedom of choice and of movement for individual members of society.

The second main strand running through this examination has been the constraints imposed by the state of the economy on labour market institutions and operations. Here again the basic problem is common to all countries, although the particular forms it takes vary over time and between countries. Danish economic history in the past two decades has been dominated by two major concerns. In the first phase, which lasted until 1958, a main objective was to reach full employment. Since that time the objective has been one of maintaining full employment whilst achieving equilibrium in the balance of payments and controlling inflationary pressures. The drive for equilibrium in the balance of payments in particular, through the increase in efforts to transform the Danish economy so as to make it more competitive on world markets, has immediate consequences for labour market policy.

Danish experience supports the conclusion that the attainment of full employment, even though an elusive objective, is considerably easier and requires fewer manpower actions than the maintenance of full employment in conditions of price stability and balance of payments equilibrium. This is the more noteworthy in that Denmark enjoys some parcularly favourable circumstances such as the compact size of the country, its good communications, a well-educated, adaptable labour force and a tradition of craftsmanship and commercial expertise. Recent years have therefore seen a gradual realization in Danish political spheres that selective manpower policies can be expected to play a greater role in overall economic policy and various attempts at reforms to increase the capacity of manpower policy instruments have been made. Some of these reforms (e. g. the reform of the apprenticeship system) are necessarily of a long-term nature; others, whilst capable of producing results in a shorter period, require a substantial initial input of resources and planning inputs which are not easily made at a time of financial stringency. For these reasons it is premature to draw any final conclusions regarding the emerging Danish manpower policy instruments, although in the following sections some tentative conclusions will be drawn on both the direction and speed of change.

In drawing these conclusions the Committee has borne in mind that the direction and speed of changes in manpower policy at present under way have to be related to broader economic developments. It is for instance necessary to consider whether the reform of the training system will, at some future date, enable the labour force to be provided with the skills which will be needed at that time. The Committee is aware that no hard and fast answers can be given on such matters - that would require manpower and economic forecasting of much greater precision and reliability than is likely to be possible, or perhaps even desirable in the near future. The Committee in fact regards this absence of reliable forecasts as an added argument in favour of developing a coherent system for flexible responses to short range changes in demand.

However, certain broad trends common to many countries are discernible which strengthen the case for a considerable increase in the rate of expansion of manpower programmes if future needs are to be met. They include:

1. Changes in the composition of the labour force;
2. Changes in the mix of occupations;
3. Changes in the speed of response to market demands for goods and services.

As regards the first, Denmark is experiencing a tendency for young people to enter employment at a later stage of life than was previously common. There is a rising participation of women, especially married women, in employment, either full or part-time. The second trend involves factors such as the high rate of increase of employment in occupations in the service industries and the decrease in agricultural occupations.

These constraints on labour supply carry the implication that the adjustment of supply and demand in the labour market will become more difficult than in the past, when there was a steady supply of adaptable young people or persons leaving agriculture, who could easily be attracted towards the expanding sectors.

This examination has taken place as Denmark has begun to find its place as a new member of the EEC. This development underlines the fact that the Danish internal market and the main markets for Danish exports are both going to be more open to competition. To meet this it will be increasingly necessary to ensure that Danish industry can adjust rapidly to changes in technology or in demand if it is to retain its share of the market.

The above summarizes some of the macro developments which suggest that manpower policy will be of increasing importance in the future. There are micro developments which point in the same direction as well and these are of perhaps even greater significance, especially in a country like Denmark. We can all see that side by side with the tendency for society to be grouped into all sorts of larger units the individual is experiencing a growing desire to take charge of his own destiny. Manpower policy helps him to do this as far as employment is concerned.

THE CONTEXT OF MANPOWER ADMINISTRATION

In many countries the question is being asked whether the current machinery for the administration of manpower policy is well-designed for the job it now has to perform. A periodic review of this machinery is useful since, over time, functions change in importance and new roles emerge. With the establishment a few years ago of a new PES, which is beginning to play a more important part on the Danish labour market and with current discussions on the organisation and importance to be accorded to training, it is only natural that the context of manpower administration in Denmark should come up for discussion.

Until now this administration has predominantly been a question of the internal working of the government machine. At the centre lies the small, policy-oriented Ministry of Labour, assisted where necessary by related Ministries (Education for training questions, Commerce for regional development, Finance and Economic Affairs for almost all problems, etc.). Executive responsibility is devolved to separate agencies such as the Labour Directorate, which runs the PES and the Training Directorate. To varying extents these Directorates have their own research and policy making units which tend to reduce the effectiveness of the central ministry. The Ministry has seen its task largely in terms of preparing and enforcing legislation and other forms of standard-setting. This is an approach which will always be important for questions such as the provision of adequate levels of industrial health and safety but is of much less relevance in the roles of ensuring that manpower contributes to national economic objectives and that each individual has the maximum opportunity to find personal satisfaction in work. Both these roles require

a capability for taking a large number of small-scale actions which can be varied in intensity and scope in relatively short periods of time.

Like the Ministries of Labour in many countries, the Danish Ministry is provided with advice and recommendations from the highest level of the trade union and employers' organisations, who are members of an Advisory Board, presided over by the Minister or the Permanent Secretary of the Ministry. But precisely because this body is composed of top ranking persons in an advisory capacity, it cannot be expected to meet frequently. And because it cannot meet frequently it has to confine itself to rather broad issues.

This is one of the main reasons why in some countries the question is being asked whether there might not be better results if the Board were to be given greater responsibilities and powers. This would have the added advantage that, once the policy objective had been defined at the political level, the series of measures necessary to attain the objective could be "de-politized" because they would have been decided on by representatives of both sides of industry. Transforming the advisory body into an executive agency has the merit of increasing the degree of involvement of both workers and employers and gives them responsibilities and powers over their own future. In this sense it can be viewed as an extension of the idea of economic democracy, currently under active discussion in Denmark. Should such a representative body be charged with the task of devising and carrying out the measures to attain a politically determined objective it seems certain that its advice and opinions on the determination of objectives would receive careful attention by government.

As already noted, there is a tendency towards a decentralization of decision-making in the country, as evidenced by the recent municipal reform. It would seem that some extension of this reform to include responsibilities in the area of manpower policy might be combined with the tripartite form of organisation referred to above.

TRAINING

Without doubt, training has an important rôle to play in ensuring that the labour force has the skills needed for the Danish economy to remain competitive on world markets. But the attainment of this basic economic objective is not the only, nor even the main, goal of the Danish training institutions. These, as in most other countries, were built up by trade associations, unions, and communities to meet social objectives. Among these the main aims have generally been to enable individual members of society to achieve higher living standards by qualifying for more skilled jobs and to increase individual satisfaction through the full realization of one's potentialities. With the changes in the educational system, new methods of teaching, longer periods of schooling and so on, other important rôles have become apparent for training institutions. They provide a means of enabling older workers to benefit from the new knowledge and techniques taught to younger generations passing through the general school system. In this way training can help to lessen the feelings of alienation which create a "generation gap" with its potentially damaging social consequences. It also gives a second or third chance to acquire a skill to those who - whether because of late realization of potentialities or development of ambition, or desire to enter or re-enter the labour market - were unable to take advantage of the opportunities they had earlier in their careers.

To attain these various objectives requires training institutions with a considerable capacity, and probably very few countries would claim that they had so developed their training machinery and incentives that occupational immobility was no longer a stumbling block to their economic development. In this respect Denmark is not dissimilar to the majority of countries and the ongoing efforts to increase the rate of acquisition of marketable skills are accordingly supported.

A point which needs to be stressed in this connection is that it is not simply, or perhaps even foremost, a question of increasing the resources devoted to training. In many ways it is even more important to ensure that public opinion appreciates the contribution which training can make not only for the individual who receives the training but also for the economy which benefits from his (or her) higher skills. All too often however there are various impediments to the logical extension and practical application of this idea so that it is transformed into the principle that all workers have rights to further training. Many such impediments spring from a natural desire of those who already have acquired a high level of skills to protect their market position. Such defensive structures cannot be swept away overnight, nor will they wither away of their own accord simply because the buoyant state of demand for labour has made them appear superfluous. What is needed is a long-term promotional effort which can demonstrate that, in a modern society, it is possible to combine great flexibility in the labour market with full employment, and greater equity in income distribution - in short that with selective manpower policies it is not necessary to retain the defensive protection devices, because they are replaced by opportunities to move out of overmanned occupations at an early stage and at no appreciable cost to the individual.

Reforms in education and training are the subject of earnest and lively discussions in Denmark. However, these are more concerned with the likely practical consequences of the proposed new machinery than with its relationship to cardinal aspects of the society of the future such as the role and methods of work of the trade unions, the relationships between skilled and semi-skilled jobs, the structure of wages and the place of work in society, all of which have important consequences for education and training policies.

In the first place the reforms would mainly be directed at modernizing the apprenticeship system and linking it more directly with the compulsory school system. The last year of school, for those not intending to go in for higher education courses, would be a year of rather broad vocational education. This would be followed by a modular form of training in the selected industry branch and occupation group. Whilst this reform has many desirable features it needs to be studied whether further complementary measures could follow so that those who are already in semi or unskilled jobs would be given an equal opportunity to benefit from the new system.

The Danish authorities may therefore wish to broaden the scope of public discussion on this subject with the aim of ensuring that the projected reforms provide individuals with even greater possibilities of switching career or advancing in their career no matter what their age, and that training will become a useful adjunct to economic policy. This latter aspect in particular is one which seems not to have been fully considered in the past, perhaps because of the historic context in which institutions were created.

The criticism has sometimes been made that the Danish training system is unnecessarily complex and fragmented, depending as it does in part on the Ministry of Education and in part on the Ministry of Labour with the assistance of various advisory groups of employers' and trade

unions. In practice however the small size of the country and the close co-operation between the interested groups is sufficient to ensure there are no serious gaps or overlappings within the present system. This would not, however, rule out the possibility of creating another administrative structure should it be decided to reform the whole education and training system to equip it for the tasks of the future.

A feature of the present training system for semi-skilled occupations which other countries may find it useful to study, and which could conceivably be of even greater importance in a more comprehensive system, is the provision of very short courses (2-3 weeks) which can be used as modules in a longer span of training. It would seem possible that such a system could be extended to more skilled occupations interspersing each module with a period of practical application on the job. This might go some way to overcome the reluctance of older workers to engage in training because of its "back-to-the-classroom" associations.

THE PUBLIC EMPLOYMENT SERVICE

The Danish Public Employment Service (the Arbejdsformidling, AF) is one of the newest in OECD, dating from as recently as 1969. Prior to that time placement was largely in the hands of 60 or so state-approved unemployment insurance funds with a large number of local branches. Obviously, when the AF was created it was not possible, for practical and political reasons, to ignore the expertise of the funds. Instead an attempt was made to absorb many of their officials into the new service leaving the funds to continue their traditional function of paying unemployment benefit.

Judging by placement statistics the creation of a national service has effectively increased both the scale of operations and their occupational and industrial coverage. Prior to 1969, placements by the funds, together with those of the limited number of public employment exchanges, were very largely confined to occupations and industries where the funds had high percentages of enrolments and to domestic and other service occupations where jobs tend to be for short periods. As only about 50% of the labour force was covered by the funds there were obviously many workers who had little incentive to apply to their offices for help in changing a job.

A great deal of work has still to be accomplished before the AF can be considered as fully equipped to discharge its essential functions. Many improvements are being made or are under discussion and no doubt the rapid rate of advance noted since the new service was created will be maintained or even increased. One of the first priorities will probably be to reduce the present number of offices (300) so that existing staff can be deployed to provide a greater number of specialist functions. This, in turn, will require an expansion of the internal staff training programme of the AF.

The methods of operation of the AF will probably also be modified under the impact of experience and research elsewhere. There seems to be no over-riding reason to prevent the AF from adopting some of the self-service methods pioneered elsewhere e.g. - open access to a full display of vacancies, free telephones to contact employers. The aim of such developments would be two-fold. Firstly, it would enable AF staff to concentrate on less straightforward matters instead of being involved in a largely repetitive routine. Secondly, it would contribute to the absorption in gainful activity of marginal groups.

In this latter respect it may be necessary for the AF to be given increased powers and resources if it is to make a full contribution to the task of finding a solution to the shortage of labour which it is expected will occur in the near future. Other countries, faced with similar problems of economic transformation, have found it expedient (as in Germany and France, for instance) to admit large numbers of foreign workers who have helped make the transformation rapidly and smoothly. In Denmark the social problems which might result from large-scale immigration have seemed so serious in the Danish context that there has been little opposition from the side of industry to the official policy of very restricted immigration (in practice only nationals of other Nordic and EEC countries). The corollary is that the existing labour supply must be used more flexibly, thus underlining the importance of the role of the AF.

It may seem paradoxical, after stressing this need, to suggest that the AF should also have greater possibilities of employment creation. All dynamic economies are subject to periods where there is a mismatch between the rate of growth of demand for labour in expanding sectors and the growth of labour supply from the school system and the contracting areas of the economy. Factors such as balance of payments difficulties can also result in changes in the level of demand. The Committee has many times pointed to the possibility of using the training system as a buffer to attenuate the repercussions on the volume of employment. However even the most experienced countries have felt a need for additional measures, such as bulk procurement orders, investment reserve funds, public service employment, and the Committee accordingly suggests that Denmark could usefully study the possibility of adopting comparable measures.

The Committee is encouraged to make these recommendations because it has noted the preponderant part of Danish manpower expenditure (over two-thirds) devoted to passive (unemployment benefit payments principally) as opposed to active manpower measures. The preponderance would of course be even greater if the unemployment insurance funds covered the whole of the labour force instead of only 50% of it as at present. Whilst there must always be a place for unemployment benefit payments in a manpower programme so that those who are frictionally unemployed can maintain reasonable standards of living whilst the job search continues, the experience of many countries has been that it is more productive to alter the balance of the manpower budget by developing programmes which will encourage the unemployed and those threatened with unemployment to take positive measures to fit themselves for new jobs.

These possibilities for the future development of the AF all presuppose one essential feature: the AF must have adequate information about the true situation on the labour market, including the internal labour markets of firms. In part this is a question of good contacts at the grass roots and Denmark is certainly fortunate in that it has a small team (over 100 persons, or 10% of the total personnel of the AF) which specializes in contacts with employers. Regional advisory boards can also be used to secure greater public support for the AF and to increase its knowledge of actual conditions on the local labour market. To complement this form of direct information there is a need for statistical data to enable the labour force to be analysed and employment trends discerned. Danish membership of the EEC will mean that statistical coverage will have to be expanded somewhat to bring it into line with community requirements, and this additional information should also prove of considerable value to the national administration.

Under an act of 1961 the State has recognized that vocational guidance should be available to all age groups. In practice guidance has been

very largely confined to young people (two-thirds of persons given guidance are under 18). Looking to the future it would seem that more emphasis could usefully be given to developing the guidance service for adults.

FUTURE DEVELOPMENT OF MANPOWER POLICY

Denmark has been fortunate in many respects in its economic development in the post-war period. It has avoided the most intractable problems of restructuring existing, but outdated, industries and infrastructure partly because it had an adaptable labour force, partly because the existing industrial structure meant that new industries could be developed relatively easily to meet new demands and partly because capital to promote new industries could be obtained without great difficulty. Thus, as many both in Denmark and elsewhere pointed out, the country has put on an economic performance that in many respects compares favourably with that of countries which may have devoted more resources per capita to active manpower measures.

It is again generally agreed that, in the future, the country will have a greater need of an active manpower policy because of the growing difficulties of adjusting supply and demand for labour smoothly and rapidly owing to the usual demographic and social factors such as smaller age groups in younger years, increased periods of schooling, earlier retirement, shorter working hours as well as from an expected high rate of increase in the numbers employed in the public sector. The objectives will therefore be:

a) To encourage marginal groups to enter employment;
b) To ensure that labour is not hampered from moving from sectors of surplus to sectors where the demand for it is expanding because of insufficient opportunities to train for the new jobs or move home to new areas;
c) More generally to ensure that the myriad unforeseen side effects of other economic policy measures tending to increase employment or unemployment at various points have the least possible harmful effects on the longer term manpower objectives.

The measures to attain these objectives are in part well known and are already practised or being developed in Denmark. In part, however, they involve new solutions which other countries would do well to reflect on. Under the heading of "measures to encourage marginal groups" can be placed some of the information and promotion activities of the AF designed to reach out to groups such as married women informing them of the possibilities of securing employment. In the same way the AF is making efforts to increase the employment opportunities for these groups by drawing the attention of firms to the ways in which this potential supply can be harnessed (e. g. through re-arranging working hours, provision of nursery facilities, transport home, etc.). Looking further ahead it is obvious that measures to make work more meaningful, safer, less tiring and easier to take up and leave off are going to have direct and perhaps very beneficial consequences on the numbers of people wishing to enter or re-enter employment. Thus job enrichment, improvement of the internal industrial environment and measures to increase flexibility in working life, are for example properly regarded as parts of manpower

policy in a strict sense. It could perhpas be useful not only for Denmark but also for other countries to study to what extent the likely increase in labour supply, as a consequence of such measures might increase their total benefits.

Measures to ensure that labour is not hampered from moving to the areas where the demand for it is greatest, such as improved training systems, mobility incentives and improvements to the employment service's information-dispensing activities, may also have impacts on the numbers wishing to enter employment. It is possible that years to come will see new approaches to questions such as the content of jobs and the lines of demarcation between different occupations which have long been a hindrance to labour mobility in all countries. The complexity of these issues and their political sensitivity ought not to preclude discussion of the many aspects involved. This examination has, for instance, drawn attention to the possibility that the operation of the current unemployment insurance funds slows down movement on the labour market by making workers in highly paid but relatively unstable occupations, (in the building industry for example) less willing to consider employment in other sectors. For these and other reasons, notably the need to ensure protection for the whole working population against the hazards of unemployment, it is possible that in the years ahead Denmark will need to modify its present system and bring it more into line with those of the other EEC member countries. This would give Denmark an opportunity to develop a comprehensive social security system with even greater possibilities of personal choice than is provided in the systems now in force elsewhere in the EEC.

REPORT OF THE EXAMINERS

Chapter I

INTRODUCTION

1.1. A country examination is a good occasion for reflecting on some of the fundamental issues underlying discussions on current problems and new developments. This report is therefore concerned as much with an analysis of some of the more important current issues in manpower policy in Denmark, as with some general observations about the nature of manpower policy and its connections with economic and social policy. It will, of course, be understood that as the report has been prepared for a Committee of Government representatives, it is focussed on governmental manpower policies.

1.2. In making this report we do not claim to have made a thorough analysis of the Danish labour market situation. We have started from the premise that the Danish authorities wished us, as persons having acquired a certain degree of knowledge of labour market theories and problems, to apply our experience to the Danish situation in the hope that we might be able to interpret the facts of the situation in a slightly different manner to that of Danish analysts. Our recommendations are therefore merely intended as suggestions, put forward after only limited discussions in Denmark, for the Danish authorities to adopt, reject, modify or pass over as they see fit.

1.3. Manpower policy, in its broader sense, is the term which can be applied to all those opportunities for governmental action which would increase the sum of human satisfaction derived from work. It follows that manpower policy is concerned with questions such as the content of work, the way it is performed, the working environment, the relationship between employees and between the employee and the firm, the distribution of incomes, the balance between time spent at work and time available for other activities - the list could be continued almost indefinitely. Looked at this way, manpower policy includes much of social policy decisions.

1.4. In a report of this sort, it is impossible to examine manpower policy in Denmark under the many angles involved in this interpretation of the term. There are other reasons, apart from the severely practical, for adopting a restricted interpretation. Historically, there has not been any one single inflexible definition of what manpower policy is about. At the outset it was primarily considered to be a question of finding jobs for people. Later it began to be looked on as a set of policy measures to bring about balance between supply and demand in all parts of the economy and the labour market. And it is only now that the still broader concept outlined in the previous paragraph is beginning to be recognized as constituting the natural boundaries of manpower policy. Given the pressing economic problems in Denmark, we have, in the following chapters,

considered manpower policy mainly in the economic context in the sense of the set of selective measures to bring supply and demand into balance in the labour market. One issue which we have not taken up, despite its close conceptual connections with manpower policy, is regional development. This has been because we have considered that in the Danish context, regional development was mainly of importance for political and social reasons unconnected with improving employment opportunities.

1.5. Even when understood in this narrow sense, manpower policy is not simply an abstract question of achieving balance. A policy with such direct influence on people must also be an important one for social policy. However, in the past there has been a tendency to consider that the most effective way of promoting the social objectives of manpower policy has been to stress its economic aspects. Often the best way of obtaining necessary support and resources to achieve a social goal - the provision of work for the severely handicapped for instance - has been to point to the net contribution that the disabled would be able to make to economic growth (in place of a previous absorption of resources) rather than to stress the beneficial effects on the handicapped themselves of being able to work. Moreover, all policy issues involve choices between conflicting, or at least competing, claims, so that even starting from a narrow definition of manpower policy, a number of other policy areas have to be touched upon.

1.6. It is now generally recognized that Denmark is no longer an agricultural country. What is perhaps less widely understood is that this transformation of the Danish economy has been one of the most trouble-free in the history of OECD countries in the post-war period. The change was not just from a predominantly agricultural to a predominantly industrial economy. Denmark has moved directly to a state where the service industries are of major importance. The rapid expansion in the service sector, especially in public services, is now a matter of some concern in the Danish debate and one to which we return later.

1.7. Denmark is one of the most economically advanced countries in the world, with a high standard of living and a high average income per capita. The rate of growth of GNP has been rapid since the war, especially in the first half of the 1960s. But this has given rise to a number of problems, in addition to concern over the size and rate of growth of public sector employment. One of these is the balance of payments, and it is to this and to the economic context that we will now turn.

Chapter II

THE ECONOMIC CONTEXT

BALANCE OF PAYMENTS

2.1. A factor of paramount importance for Danish policy is the country's balance of payments. It is not particularly remarkable that Denmark had a deficit on its external account. Most OECD Members have at one time or another been in the same position. What gives rise to concern in Denmark is the persistence of its deficit. In the ten years from 1960 to 1970, the country has had a surplus on its balance of payments only once: in 1963. Even then, the favourable balance was a small one. Furthermore, at least until 1970, there was a tendency for the deficit to deteriorate. While in 1960 the deficit amounted to 1.2% of GNP, by 1970 it had risen to 3.6%. It is true that 1971 and 1972 were more favourable because of specific measures taken by the authorities. Entry into EEC and the higher prices for agricultural exports will reduce the basic deficit considerably and should therefore ease the problem of bringing the balance on current account into a more favourable situation.

2.2. Given the persistence of these deficits, it is proper for the authorities to give a good deal of attention to doing something fundamental about the external payments situation. It is remarkable that the country has been able to finance its current deficit through capital imports for such a long time. One factor which may have contributed to this could have been the peaceable relationship between Danish employer and worker as shown, for instance, by the small loss of working days through strikes.

STRUCTURAL CHANGES

2.3. Within the span of two decades the Danish economy has been transformed. This has involved a shift of resources away from the primary sector. One measure of the size of change is the decline in the contribution made by the agricultural sector to the GNP. In 1950, agriculture contributed 19% to the total GNP. By 1960, this had fallen to 14%, and this had declined further to under 9% in 1970. Coming at this another way, the size of change can be seen in the fact that while in the 1950s agricultural exports amounted to something over half of total exports of merchandise, by 1970 rather less than a quarter were from the agricultural sector. Perhaps the most telling index of change is in the shift of manpower resources. In 1950, the total employment

in agriculture was almost 400,000 (full-time workers). By 1963, this had fallen to about 240,000. This sharp decline continued in subsequent years, and employment in agriculture was down to about 160,000 in 1970. Despite this large-scale outflow of manpower from the primary sector, there was no contraction of output. Value of production in this sector (in constant prices) in 1970 was 6,633 million kroner, which is just about 1% lower than in 1960.

2.4. Contraction of the primary sector is one part of the structural changes which have been taking place. Another development in the Danish economy is the reduction of unemployment that occurred during this period. In the ten years from 1948 to 1958 the proportion of the (insured) labour force which was unemployed was never far short of 10%. During the period 1959 to 1970, this proportion fell to about 3-4%. The Danish unemployment figure relates to the unemployed insured as a percentage of the total insured population. Since the insured are probably a higher unemployment risk than the uninsured working population, the unemployment rate for Denmark tends to overstate the total amount of unemployment. Indeed, labour force sample surveys suggest that unemployment as a percentage of the total labour force is less than half the more usually quoted Danish figure.

DEMAND PRESSURE, WAGES AND COSTS

2.5. The big changes in the structure of production and of employment, in the last two decades, have been relatively free of trouble on the labour market. Moreover, these changes have taken place without much need for selective governmental intervention. But the easy options are now exhausted, and a good many problems are apparent. These difficulties are of two kinds. There are concrete and specific ones, and others which are diffuse, involving attitudes and judgement. The principal specific difficulty comes from the using up of reserves of manpower. Many people have moved from the primary declining sectors to other sectors of activity. What was happening in earlier years shows up even more clearly in the period since 1960. During the decade from 1960, employment in the secondary and tertiary sectors rose by some 434,000. Of this about 235,000 were new entrants to the labour force and the outflow from the pool of unemployed. The labour force in the primary sector and in domestic services was the other source of manpower supply. Manpower redeployed from that source amounted to very nearly 200,000. In other words, 46% of the net intake of labour in manufacturing, construction and the services came from agriculture and related activities. By any standards, this is a substantial and effective turnround of manpower resources from one sector of activity to another, involving the equivalent of 8% of the labour force.

2.6. A question of great intrinsic interest and of considerable significance for policy is about the final destination of these manpower flows: to what occupations and industries did these go? It is clear that nearly 30% of the new employment was in manufacturing industry, and in building and construction. Transport and communications took another one per cent; the biggest growth, some 54%, was in whitecollar occupations in the tertiary sector. And here, the lion's share, some 47%, was taken by the government and public services. It is worth putting this in another way; almost one half of all new jobs in the ten years to 1970 were in the public sector.

2.7. This pattern of growth of jobs has alarmed not only the organisations and institutions in the private sector, but academic observers and the Government. Part of the concern arises from the view that this process is using up manpower and capital which could and should, in their view, go to manufacturing industry.

2.8. Another strand of reasoning links the expansion of jobs in the public services to the second problem facing manufacturing industry; the pace of wage increases. One widely held view in Denmark is that the government, in its role as employer, tends to accept immoderate wage claims which, in turn, have repercussions on the private sector, most damagingly for manufacturing industry. Following this train of reasoning the usual cycle then establishes itself. Manufacturing industry suffers cost increases, with harmful consequences. One school of Danish thought holds that in order to break out of the cycle the public sector should contain, if not cut back, its demand for manpower.

2.9. Some hold that it is necessary to have more slack in the labour market to get a more moderate growth of wage costs.

2.10. The final strand in this analysis relates specifically to building and construction. This industry has a special weight and role within the Danish economy, and within the country's structure of collective bargaining. Almost everyone except the unions is in agreement that, even though the latest figures show some decline, there are still too many people employed in this industry. An equally general view is that the high level and rapid growth of wages in this industry produces a chain reaction of inflationary settlements in the market as a whole. There is more in this than simply a matter of wage pushfulness.

2.11. Not only has building and construction attracted nearly 12% of all new employment in 1960-1970 it has also been a magnet for capital. Taking all this together, a school of Danish thought believes that a misallocation of resources has been caused by the construction industry and that this industry has contributed to inflationary pressures in much the same way, though on a smaller scale, as the government sector.

NEED FOR SHIFT OF RESOURCES

2.12. Before considering the policy implications of all that has been said so far, it is worth restating the issues which the Danes regard as central to their current economic situation. Chiefly on the basis of the Perspective Plan* the authorities, and possibly the country at large, are inclined to the view that there is a need for a sizeable slowing down of the speed of growth of public spending. What this implies is a more stringent view of any proposals conducive to the enlargement of public sector activities. Additionally, with fewer people and funds, this involves a slowing down of moves to improve the quality of individual public services. These things are to happen not only for the short term; it is the longer term trend in the flow of resources at which these policies are directed.

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* Perspektivplanlaegning, 1970-1985, Copenhagen, March 1971. A Summary was published in English under the title Problems of Long-Term Economic Planning in Denmark, 1970-1985.

2.13. Policy is now being based on the premise that, although the time span of the Perspective Plan is a decade and a half, a start on these lines has to be made straightaway. Therefore, action is needed now to constrain manpower and capital flows to the public sector. This start towards the long term objective is difficult enough. But superimposed on this perspective are the current and urgent measures to cope with the balance of payments deficit.

2.14. One strategy for moving towards both the immediate and the longer term objective is to squeeze domestic demand, and to apply this squeeze to sectors of the economy which are separable from external trade and financial relationships. Put like that, the obvious candidates for the squeeze are the public sector and construction. These two taken together account for very nearly 30% of the GNP. Of that total nearly one third, or about 10% of GNP, originates from building and construction. Consequently, if this range of activity is constrained, quite a lot of resources can be freed for putting towards expansion of the manufacturing sector which is held to be a necessary condition for any improvement in the balance of payments.

2.15. All of this is familiar medicine. All countries with balance of payments difficulties have worked through a combination of the kind of measures which are being discussed in Denmark, even though the programme of action in another country may have been weighted differently as to individual items, and the package as a whole presented with a rather different appearance. The aim of any such exercise is to redeploy capital and manpower resources within the economy to earn more foreign exchange. Despite the gains which will result from entry to the EEC, there is fairly clear evidence that this higher foreign exchange earning capacity cannot be obtained through further expansion of agricultural production.

2.16. Since both in terms of immediate needs and for longer term objectives a switch of manpower and capital to the manufacturing sector is looked upon as essential, some method is needed to dampen the demand for these resources from other sectors of the economy. One, and the traditional way of doing this, is to hold back personal consumption, either on its own, or in conjunction with cutbacks in collective consumption and building investment. The resources freed in this fashion are then reallocated by the market mechanism to sectors which are free of restrictions, that is to say towards producers for the export market.

2.17. If both consumers' expenditure and public authorities' outlays are being held back to make resources available for export-oriented activities, the immediate result is usually a rise in unemployment. The speed of return to higher levels of employment and to pre-squeeze rates of growth, are dependent on the rapidity of expansion of output going to foreign markets. One of the factors governing this rate of expansion is the existence of machinery to retrain the labour force as necessary. The longer the time taken for that turn-round, the longer the lag in the reduction of unemployment.

MARKET FORCES AND RESOURCE ALLOCATION

2.18. The foregoing has been based on the Danish authorities' analysis and interpretation of the economic problems facing the country. Of course different conclusions can be drawn about what is essentially a political

rather than an economic matter - how resources ought to be allocated. For our part, we simply wish to observe that questions about alternative allocations are outside our scope. We have limited ourselves to accepting the authorities' interpretation of the nature of the problem as the starting point for our study.

2.19. Two wrong conclusions can be drawn from the views and possibilities of action which we have been considering so far. One of these is about the things that need to be done to slow down the rate of cost/price increases. And the other is about the effectiveness of market forces in bringing about the redeployment of resources, particularly manpower resources. On the cost/price aspect the danger lies in trying to use higher unemployment as a way of reducing wage increases.

2.20. The idea that higher unemployment should be used for slowing down wage growth, is based on an over-optimistic and simplified view of the working of market mechanisms. The trouble is that the authorities in Denmark seem to be predisposed towards strategies which rely on the free play of market forces. This is probably especially true of the Danish approach to the labour market. It is easy for the adherents of this view to point to the successful readaptation of manpower which has occurred over the last decade and a half in response to the interplay of market forces.

2.21. Without denying that pragmatism has virtues, there are powerful grounds for asking whether what has worked in the past will work equally well now and in the future. The key question is, how different are the demands for change in the Danish economy now from those it has met in the last 15 years? If there is a difference in the nature and size of these demands then it is right to ask whether approaches which were appropriate to the 1960s are still valid.

2.22. There is another aspect to this question. Suppose that the nature and dimensions of structural transformation necessary in the next fifteen years are not really very different from past experience. Is that sufficient reason for the belief that the forces which brought about changes in the past will be equally successful in current circumstances, and in the future?

2.23. Even if the reallocation of resources now required were not very different in nature and size from that needed in the past, it would be necessary to take into account that these resources are now deployed and located in different activities and in differing concentrations than during the previous cycle of transformation.

2.24. In fact, a good deal has changed. In the earlier phase there was a reservoir of manpower in agriculture and fishing. This reservoir was easy to draw upon. Extraction of additional manpower from this sector in the coming decade is going to be much more difficult and expensive, as we show in more detail later in this chapter (see paragraph 2.50). What is more, to release some more useable manpower from agriculture will need organisational skill, and money to align this manpower to the requirements of the recipient sectors and employers. Individual enterprises will not readily bear this cost.

THE APPROPRIATENESS OF SELECTIVE MANPOWER MEASURES

2.25. Danish authorities have considerable sophistication in the use of monetary and tax measures for regulating and steering the economy.

Denmark's special circumstances, however, make it both possible and desirable to add a range of new devices to the steering mechanism. The OECD has often urged Member countries to adopt selective measures of direct impact on the labour market. Denmark is a good place for trying these measures. The authorities' sophisticated use of established methods of steering the economy suggests that they could turn their hands to other instruments too, if they were persuaded of their value. Most important of all, the compactness of the country, the size and nature of its population, and the absence of fundamental disagreement between major political parties about economic and social goals, would all well enable Denmark to test the usefulness of active labour market measures.

PURPOSES AND USES OF AN ACTIVE LABOUR MARKET POLICY

2.26. Labour markets do not function very efficiently. Manpower is not a particularly mobile resource. This immobility is not only or even principally a matter of a reluctance to move home and change one's familiar environment. Mobility from industry to industry, as between occupations and from one sector of economic activity to another, is far from easy. Individual decisions are rarely perfectly rational and almost without exception are taken on the basis of inadequate information. In any event the generalizations of many economists about national labour markets are based on unrealistic assumptions. The nearest that it is possible to get to the concept of a national labour market is by means of aggregation of a series of regional, occupational and industrial sub-markets.

2.27. In plain terms, manpower flows do not, in the short run, respond very sharply to changes in the price of labour. Moreover, the process of collective bargaining between work people and employers is built on the foundation of regulated flows of manpower as against the free flow of labour solely in response to price changes.

2.28. The labour market deals in human beings. People are a complex web of emotions, feelings and reasons. That is one set of factors. Then there are the preparatory stages through which manpower has to go before it can be employed in all but the simplest production processes. And on top of this there are the constraints of collective wage bargaining. For all these reasons the labour market is an inefficient clearing mechanism. It follows that frequently shortages appear nationally for some kinds of labour; or there are shortages of all kinds of labour in some parts of the country. These shortages tend to inflate prices in the market.

2.29. The authorities in Denmark, like those in all developed OECD countries are anxious about wage inflation. Most Western European governments have been sufficiently worried by the rapid rise in wage growth to question whether there might be a conflict between the goals of price stability and full employment. As a consequence, a long-standing commitment to full employment is under challenge in many industrial countries.

2.30. Part of that challenge arises from the fact that the academic research into relationships between unemployment and the rate of wage increases has appeared to show that moderation of wage rises requires tighter management of the level of total demand. Put in a simple way, governments of most developed industrial countries appear to accept the

view that there is a "trade-off" between employment and price stability (despite the limitations of the academic findings on the subject).

2.31. Policy makers in OECD Member countries were, and still are, in need of measures to contain rapid cost increases. Throughout the 1960s they were inclined to accept that a higher level of unemployment would help reach the increasingly important goal of price stability. It was not that anyone was particularly attracted to the idea of having more unemployment, rather it was a question of a choice between two almost equally disagreeable alternatives. The neat and apparently incontrovertible unemployment/wage growth relationship seemed to provide a useful basis for policy. In this process the real and practical aspects of the working of labour markets were ignored.

2.32. The error lies in the assumption that an increase in unemployment brought about through macro economic measures would lead to an increase in labour supply which in turn, would reduce the pressure for wage rises. In real conditions, because of the imperfections of the labour market (which were recognized in the original academic work on this subject) the use of fiscal and monetary pressures to reduce overall demand has not led to any appreciable decline in the pressure for wage growth.

2.33. From the late 1960s there has been a growing awareness among academics of the inadequacy of the earlier version of the wage/unemployment relationship. Opinion is still strongly divided. But enough doubts are now evident to make it legitimate to question any anti-inflationary policy which places its main reliance on a version of demand management which has as its object a higher level of unemployment. It is perhaps too soon to say that "money wage increases have largely become an institutional phenomenon depending on bargaining processes which are not much influenced by current economic conditions and unemployment".

NEW TECHNIQUES

2.34. The view that anti-inflationary policies should be based on the traditional approach of moderating wage rises by resort to relatively high levels of unemployment, seems particularly inappropriate in Denmark. Even if in the generality of cases some validity might exist for the pursuit of the traditional policies, (a point on which we have grave doubts) the particular pattern of employment and collective bargaining in Denmark is least likely to respond to that set of measures. A great many people (525,000 in 1971) are employed in the public services. Additionally, private sector tertiary occupations also account for a substantial proportion of employment (750,000 in 1971). Adding these two together produces a sizeable block of employment of a kind that is largely insulated from anything but the most severe reductions in the overall level of demand. Against this the numbers employed in the private production sector amount (in 1971 also) to 1,130,000.

2.35. That is one consideration, and it is not wholly separable from the second main characteristic of the Danish labour market. This consists of the powerful institutional arrangements for wage bargaining. Employees' organisations are powerful, not only in the private sector production industries, they also have a strong voice in the public service and in the tertiary sector.

2.36. Several questions arise from the argument developed so far. Is it being argued, for instance, that since higher unemployment arising from tighter demand management is being rejected as a useful method of moderating wage rises, the case for stronger forms of prices and incomes policy is therefore reinforced? Are the arguments for decelerating the rate of rise of wages through institutional machinery particularly powerful because of the strength of organised employees in the Danish labour market? Alternatively, does the appropriate approach lie in a mixture of these things, or perhaps in a set of solutions based on quite different premises?

2.37. One thing can be said with confidence. Something needs to be done about the rapid rise in costs in the Danish economy. That, in turn, implies the need for action on wages and prices. On that reasoning, it could be held that a powerful case exists for the continuing operation of any of the variety of incomes policies attempted in a number of OECD Member countries. Although these arrangements differ in detail from country to country, they have as their central objective the establishment of a method of regulating growth of incomes, among which wages are the biggest item. In most cases the favoured machinery is one where trade unions are asked to exercise voluntary restraint, or to observe a norm for their wage claims. In Denmark, too, the authorities have made use of a policy which, although temporary in duration, has been stringent in its requirements. From the Spring of 1968 to July 1969 a profits freeze and a freeze of prices of certain services was in force. Prices of certain services were again blocked from September 1970 to March 1971. After that date prices have been allowed to rise only when justified by agreed wage increases or higher import prices.

2.38. One view about future efforts in this field is that it is "important that further efforts should be made to develop more rational arrangements for the determination of incomes".* It is now conventional wisdom in many, perhaps most Western European countries that incomes policies are a good thing. And as these things go in waves of fashion, the Danish authorities will no doubt regard themselves as being obliged to continue their efforts to develop "more rational arrangements" for the conduct of collective bargaining. Whatever those arrangements might be, they are likely to have as an element in the mix those objectives which have usually been sought in any form of incomes policy.

2.39. Without questioning the validity of that viewpoint, it is proper to ask whether reliance solely on a conventional incomes policy approach is likely to solve Denmark's rather special problems in the wages and collective bargaining field. Looking at the situation in a more positive way, it is reasonable to take the view that in a country with a tradition of good government and considerable mutual understanding between different interest groups, more could be done about the basic problems of labour markets than is possible through an incomes policy.

2.40. A set of measures sometimes described as "active labour market policies" or "active manpower policies" have been intensively applied in one Nordic country for nearly a decade. Many of the ingredients of that package have found a place in governmental programmes in most OECD countries. But the attraction of an active labour market policy is wider than might have been suggested so far. Having an active labour market policy raises the important possibility that in the process of

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* OECD: Economic Surveys, Denmark, July 1971.

national decision making, explicit and detailed consideration could be given to manpower and labour market matters. In a compact, manageable country such as Denmark there is less difficulty in bringing manpower issues to the foreground in economic decision-making than is the case with larger, more diversified, economies. Added to this is the bonus that Denmark enjoys in having institutions and organisations that can be readily adapted to a frame of reference which deals in micro considerations rather than overall aggregate ones.

DEMOGRAPHIC FEATURES

2.41. In the previous paragraphs it was argued that an active manpower policy would be helpful in the Danish labour market situation.

2.42. The present section is intended to draw attention to the longer term benefits which a more highly developed manpower policy could confer in the light of future demographic trends and likely work patterns. The connection is obvious: the smaller the labour force in relation to the total population the more important it is from the economic viewpoint for that labour to be deployed where its productivity is greatest if prices are to be kept stable, economic growth promoted and a reasonable balance of payments to be maintained. In other words, it becomes increasingly important to get rid of structural unemployment, reduce frictional unemployment as much as possible and reduce barriers of any sorts which impede the free movement of labour from low to high productivity areas. The need is further increased when there is a long term trend to diminish the number of hours worked during the span of working life because of shorter working weeks, longer holidays, later age of starting work and an earlier age of retirement.

2.43. The Danish labour force has been growing steadily since the war. From 1950 to 1972 the total labour force has increased by 480,000 persons, the equivalent of about 25%. Table 1 shows recent developments and forecasts of changes expected by 1975 and 1985.

2.44. The development on the part of men has been quite stable with an annual net recruitment of 8,000 during the period 1950-1965. Since then it has barely changed. In contrast to this the growth in the female labour force was largest in the period 1960 to 1972 with an annual growth of about 25,000.

2.45. The reason for this is that the active age groups in the early 1960s were growing faster than before. Simultaneously there was a considerable increase in the number of women, over 30 years of age, in employment. This increase is connected with the rise in demand for manpower, which was characteristic of development in Denmark during the 60s when some sectors of the economy had a shortage of labour.

2.46. This increase in the labour force has been obtained in spite of a decrease in employment among the younger age groups, a consequence of longer schooling and higher school enrolment rates and lower female participation rates in the younger age groups, due to the fact that the age of marriage for women has been falling during this period. Participation rates of married women are, of course, lower than those of the unmarried.

Table 1

DENMARK: LABOUR FORCE PROJECTIONS

	1965			1975			1985		
	Population	In Labour Force	Participation Rate	Population	In Labour Force	Participation Rate	Population	In Labour Force	Participation Rate
	('000)			('000)			('000)		
Men									
15 - 24	405	289	71.2	377	212	56.2	396	194	49.3
25 - 59	1,016	985	96.9	1,105	1,065	96.4	1,170	1,128	96.4
60 and over	361	203	56.2	412	214	52.0	436	190	43.6
	1,782	1,477		1,894	1,491		2,002	1,512	
Unmarried Women									
15 - 24	276	154	55.8	244	117	48.1	265	109	41.1
25 - 59	186	135	72.6	185	147	79.4	177	143	80.6
60 and over	237	33	13.9	284	39	13.7	309	41	13.4
	699	322		713	303		751	293	
Married Women									
15 - 24	112	50	44.8	116	60	51.6	116	65	56.3
25 - 59	850	278	32.7	917	432	47.1	970	518	53.4
60 and over	191	20	10.4	224	30	13.2	239	40	16.9
	1,153	348		1,257	522		1,325	623	
Total	3,634	2,147		3,864	2,316		4,078	2,428	

Source: Perspective Plan, Annex 2, tables 10 - 12.

2.47. By combining information concerning developments in both population and in participation rates, the Danish Statistical Department * has estimated that the growth of male manpower will be small. During the period 1965 to 1975 it is expected to increase by about 15,000 and a further 20,000 from 1975 to 1985, representing 1 and 1.4% for each of the two periods. In contrast to this the increase in married women is calculated to be approximately 175,000 from 1965 to 1975 and 100,000 from 1975 to 1985. These changes correspond respectively to 50 and 30% during the two decades.

2.48. The number of unmarried women in the labour force is expected to decrease by respectively just unde 19,000 and 10,000 or 5.8 and 3.3% during the two periods.

2.49. All this considered, we may conclude that the total labour force can be expected to increase during the period up to 1985 almost entirely because of an increase in the participation rates of married women. However, as noted above, the changes in participation rates are very sensitive to changes in demand for labour. Moreover, married women are frequently available only for part-time work and it must be expected that there will be a high proportion of part-time workers in any increase in the married female labour force. These tendencies naturally mean that working hours cannot be reduced much before the total number of hours worked decreases. This could to a certain extent be avoided by an increased recruitment of foreign labour, as the net immigration assumed in these calculations equals zero. The present position is that there is an absolute ban on foreign labour recruitment except from the Nordic common labour market and EEC countries. Whether this will result in a negative balance of migration is a matter for speculation at the present juncture. Subject to these provisos, it seems reasonable to expect that future increases in output must come almost exclusively from increased productivity.

2.50. We have already alluded to the changes which have taken place in the structure of employment in the years 1960 to 1970. There has been a marked decline in agricultural employment, an increase in manufacturing employment and in building and construction and a very large increase in the service sector, especially in the government service. What the total figures do not disclose (although this might have been expected) is that the movement out of agriculture has mainly concerned the young. Table 2 based on the two latest census figures (1960-1965) shows how different age groups have reacted to the change in the possibilities of alternative employment. The reduction has been most marked in the age groups under 35. When it is considered that many of the remaining farm workers in the younger age groups are probably sons of farmers who will inherit the farm in due course it must be concluded that the mobile labour reserves in agriculture must now be severely depleted. Furthermore what labour can still be attracted off the land will tend to be older and probably less adaptable to other conditions of employment.

2.51. This trend was of course apparent to the authors of the Perspective Plan who estimated that public sector employment would reach nearly 650,000, if the present political objectives and guidance remained unchanged, in 1985 from a level of just under 420,000 in 1970 (see Table 3). It is obvious that an expansion of government employment on this scale

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* E. Jorgensen and W. Scharling: Development Trends in Manpower 1965-1985, Copenhagen, 1971.

Table 2

FARMERS AND FARMWORKERS
IN RELATION TO TOTAL LABOUR FORCE

	24 and under	25-34	35-44	45-54	55-64	65+	Total ('000)
1960							
a) Total labour force	468	370	406	394	277	93	2,008
b) Farmers and farm workers	66	44	54	61	52	25	301
b) as % of a)	14	12	13	15	19	27	15
1965							
a) Total labour force	534	406	423	421	316	99	2,199
b) Farmers and farm workers	41	31	44	52	49	23	241
b) as % of a)	8	8	10	12	16	23	11

Source: Statistical Yearbooks for 1969 and 1971.

will leave very little room for an expansion of private employment. It will be noted that the projected increase is heavily concentrated in education and social services so that it should eventually result in a more highly skilled and better adapted labour force.

2.52. A problem for the future will be to encourage new entrants to the labour force to enter the fields of employment which support the government's economic and social objectives and to facilitate transfers of experienced workers from other less desirable areas of employment. Training and guidance systems for both new and experienced workers will need to be geared to this task (see comments in Chapter III below). Other changes will also be needed.

2.53. One of the main industrial groups which is considered to be overmanned in Denmark is the construction industry. Even in times of high demand for labour in other industries, building and construction has shown very little tendency to contract, possibly because of institutional problems in the shape of (i) high wage structure relative to manufacturing industry and (ii) a high demand for housing due to the favourable conditions in which loans for housing are granted (see 1971-72 OECD Economic Survey for Denmark). In these circumstances it is obviously very difficult to persuade people to leave the building industry and retrain for less well-paid employment elsewhere.

2.54. In summary, the main changes in industrial structure in the coming decade are likely to involve a rather slower rate of decline in the agricultural labour force (especially now that Denmark has joined the EEC),

a steady increase in employment in the service sector and a resistance of the building sector to efforts to reduce its labour force.

Table 3

TOTAL PUBLIC SECTOR EMPLOYMENT

	Number of persons		Growth rate in % per annum
	1970	1985	
Education	71,000	105,000	2.6
Research	5,000	8,000	3.2
Cultural activities	7,000	13,000	4.2
Health services (1)	84,000	160,000	4.4
Social security	72,000	150,000	5.0
Police, law courts, etc.	16,000	19,000	1.2
Established church	5,000	5,000	-
Defence	30,000	30,000	-
Greenland	9,000	13,000	2.5
Aid to developing countries	1,000	3,000	7.6
Administration	42,000	65,000	3.0
Traffic (central government)	25,000	18,000	-2.2
PTT	36,000	40,000	0.7
Energy supply (power stations)	10,000	10,000	-
Urban development, etc.	4,000	5,000	1.5
Total public employment	417,000	644,000	2.9
Of which:			
Public services	346,000	576,000	3.5
Public enterprises	71,000	68,000	-0.3

1) Including practising doctors, dentists, midwives, etc., with ancillary personnel, representing some 20,000 persons in 1970.

Source: Perspective Plan.

2.55. When occupational structure is examined it is evident that decreases have been taking place and may continue in 3 groups* - self-employed, assisting wives and domestic employees. For the last group, however, the scope for future reductions is now rather limited and the present rate of decrease (25% from 1970 to 1971 according to the latest available statistics) must be expected to decline in the years to come. It is in any case a very small part of the total labour force - rather under 1%. There must obviously be a strong correlation between numbers of self employed and

* A total of six groups are identified in Danish statistics: self-employed (14.5% of labour force), assisting wives (5.2%), salaried employees and civil servants (37.1%), skilled workers (12.7%), unskilled workers (29.5%) and domestic servants (1%).

numbers of assisting wives but whether these groups continue to decline overall depends on the balance of contrary movements in different industrial sectors. For example, self-employed persons and assisting wives engaged in primary industries have been decreasing along with the trend to larger farms, whilst compensating increases have taken place in building and construction. Decreases have also been recorded in self-employment in commerce, manufacturing industry and administration and liberal professions. It would seem that there is further scope for decreases in these areas.

2.56. One occupational group - the skilled workers - seems to be almost stationary as both a percentage of the labour force and in numbers employed. What movements are recorded in it may to some extent be due to differences in definitions and interpretations. If the group does decrease in future, which might seem a reasonable assumption to make, it could simply reflect a decline in traditional skilled trades, as the expanding more modern industrial occupations will be classified as either unskilled or as salaried occupations. This trend is illustrated by the comparison between changes in employment in building and construction between 1970 and 1971 for the 3 groups - salaried employees (11.9% increase, admittedly from a small base) unskilled workers (10.5% increase) and skilled workers (only 2% increase). The only other industrial group employing a sizeable number of skilled workers is manufacturing industry and here a sizeable reduction in this period in the number of skilled workers employed can be compared with a small increase in the number of unskilled workers.

2.57. As regards unskilled workers, apart from the small increase in manufacturing industry and the large increase in building and construction mentioned above, there has been a substantial decline in agricultural employment which is now the smallest industrial sector for this class of worker. As already suggested employment in this sector is likely to continue to decrease although the rate of decrease may well slow down somewhat. Other industrial groupings show considerable increases, most marked in the administration and liberal profession sector which now employs 13% of all "unskilled" labour. Most of these are office workers or social service employees who have not attained salaried status and there is a high proportion of women in this group.

Chapter III

INSTITUTIONS AND MACHINERY FOR THE IMPLEMENTATION OF MANPOWER POLICY

1. INTRODUCTION

3.1. The previous chapter made out the case for a greater emphasis on manpower policy in Denmark as part of the machinery to overcome current economic problems and to minimize the constraints imposed by the expected tightness in labour supply in the future. Having shown the need for selective manpower policies it is now appropriate to look at the institutions already existing to see whether they measure up to the tasks they need to assume if these policies are to be effectively implemented.

2. MANPOWER ADMINISTRATION IN DENMARK

3.2. It is unnecessary to spend much space describing the central machinery for manpower administration in Denmark which resembles that of other countries. The Ministry of Labour is responsible for policy in areas such as the public employment service, training of skilled and unskilled workers, vocational guidance, industrial safety and working hours. The Ministry has about 80 staff who work on preparing legislation and issuing guidance to executive semi-independent directorates which implement policy throughout the country. There are three such directorates, of which two are of direct concern in this report - the Labour Directorate, responsible for running the employment service, and the Training Directorate. (The third, dealing with industrial safety questions, is also of importance to manpower policy, although outside the scope of this report.)

3.3. Other Ministries also have responsibilities in the field of manpower policy: The Ministry of Education is responsible for vocational education and apprentice training; the Ministry of Commerce for regional development policy; and the Ministry of Social Affairs for rehabilitation. Like the Ministry of Labour, these Ministries are aided by representative advisory Councils.

3.4. But if the administrative structure is much the same as elsewhere and calls for little comment, the allocation of power to the various administrative units naturally differs from country to country and over time. In this respect, Denmark is in both a fortunate and an unfortunate position. The unfortunate aspect of power allocation is the inherent weakness

of the central Ministry of Labour. Divorced from the day-to-day fluctuations on the labour market, and historically largely concerned with preparation and implementation of legislation, the Ministry must find it difficult to elaborate a flexible manpower policy oriented towards short-term, as well as structural, economic and social objectives.

3.5. This shortcoming seems to be implicitly recognized in the recent creation of additional posts for economic and statistical advisers within the Ministry but it will obviously take time before these make much difference to the ability of the Ministry to put forward a convincing national manpower policy within the Government and in discussions with the social partners.

3.6. However, if the Ministry of Labour is not in a strong position to put the case for Manpower Policy, the Ministries of Finance and Economic Affairs are better placed. The preparation of the "Perspective Plan", for instance, was largely in the hands of representatives of these Ministries with inputs from other sections of the government and interested outside parties. But there was no doubt in the examiners' minds, after their discussions in Copenhagen, that the report which resulted and which has dominated much of recent political discussions was, in fact, an expression of the views of these Ministries. The theme of that report was that the present allocation of manpower was a constraint on economic development. Our hope is that, in this report, we may have been able to suggest that the constraint can be eased without first lowering the level at which the economy operates.

3. PUBLIC EMPLOYMENT SERVICE (PES)

3.7. The aim of a modern, dynamic Public Employment Service (PES) should be to achieve a better balance on the labour market. This is not just a question of placing the maximum number of unemployed in jobs. Just as important - indeed, perhaps more important - are the qualitative aspects of ensuring, as far as possible, that workers secure employment suited to their needs, and that employers are helped to recruit workers with the desired qualifications and qualities. Shortages of skilled workers can cause difficulties for employers and for the whole economy. Economic, market and technological changes can cause redundancies. A PES which is geared to make a significant contribution to the solution of employment problems of these various sorts will help considerably in ironing out undesirable imbalances on the labour market.

3.8. In order to achieve the above aim the PES must perform the following functions:

i) To collect, analyse, and usefully to disseminate labour market information at all levels of employment on a local, regional and national basis;
ii) To help workers at all levels to secure employment which is suitable to their qualifications and needs and to help employers to recruit workers with the knowledge and skills necessary for their businesses;
iii) To be in a position to take, or to get others (e.g. the training authorities, the agency responsible for unemployment relief works) to take quick and flexible action to overcome shortages or to deal with unemployment situations.

3.9. The key to success lies in the provision of accurate information, properly analysed, and put quickly into the right hands. To do this job effectively, a PES must be organised to win the confidence of, and to keep in close touch with, employers so as to get information not only about vacancies but also about the qualifications they insist upon at various levels of employment, the employment conditions, and the nature of the work they are providing. If the PES can, by providing a first class service to them, gain the confidence of employers, it will be in a good position to get advance warning, not only about planned expansions, but also about likely redundancies. This is essential if the public authorities concerned are to be in a position to take remedial action in good time.

The PES must obtain and record more detailed information on the qualifications, preferences and needs of workers registering with it. It must make special provision for handicapped and other marginal groups. It must keep itself informed of economic, market and technological changes likely to affect the demand for, and supply of, manpower. And it must research possible labour market reserves and other manpower matters, e.g. married women and the conditions under which they might be drawn into the active labour force, obstacles to geographical mobility of labour.

3.10. For reasons which we will develop later, we do not believe that the Danish service is at present geared to perform the functions or achieve the aim of a progressive PES. This is due partly to the history of the service, partly to the lack of clarity in defining the aim and objectives of the service and partly to staffing problems.

3.11. We were pleased to note that the PES in Denmark has a team of 114 consultants, (about 10% of the total staff), who spend most of their time visiting employers to get information about their employment problems and about the nature of the work they provide, and to promote amongst employers the benefits to them of using the PES. But it is our considered view that overall the main problem facing the Danish PES is a staffing one. There is an urgent need to accelerate the training and retraining of existing staff, and to leaven the existing cadre of staff by the recruitment of new, and suitably qualified, people. We should make it clear that when we talk about the PES, our remarks are directed towards the total Service, i.e., those employed in the Ministry and the Directorate of Labour, as well as those in regional and local offices.

3.12. Up until 1969 there was a division of functions and responsibilities in the PES in Denmark. The filling of vacancies and the payment of benefits were dealt with mainly by 60 approved Unemployment Insurance Funds through a network of about 4,000 local branch offices. These Funds are effectively under trade union control, and are organised on an occupational, as well as an industrial basis, thus reflecting the structure of the Danish trade union movement. The work of the branch offices was to protect the Funds against abuse and to help unemployed members to get jobs. Placements were usually effected within the occupations or industries covered by the individual Funds - movement of workers across occupational or industrial boundaries was insignificant.

3.13. There were also public Employment Exchanges - about 30 regional offices - but they acted mainly as secondary exchanges. Their main function was the collection of statistics about unemployment though they did effect placements for unemployed workers who were not insured in one of the Funds.

3.14. There was a major re-organisation of the PES in 1969. All employment service functions were taken out of the hands of the Insurance Funds and placed under the control of the Directorate of Labour which is

the executive agency of the Ministry of Labour for this work. Under the Directorate there were 29 regional offices (to be reduced to 14 in line with recent municipal reform) and 300 new local offices were established. * The payment of benefit is still made by the Funds, but the reorganised PES has first to certify that there is no job available for the applicant. Thus, there are two different institutions with different responsibilities for the payment of benefit, and there is some apparently wasteful duplication of efforts and book-keeping.

3.15. The Directorate, with the help of an advisory committee on which the central employers' and workers' organisations, as well as certain other interested Ministries, are represented, determines the manner in which the broad policy laid down by the Ministry of Labour should be implemented. It also provides central administrative services.

3.16. Each Regional Office (which also has a representative advisory committee) directs and controls the work of a number of local offices.

3.17. The total budget for the PES for 1971/72 was approximately Kr. 78,500,000. As at 1st April 1972, the total staff of the PES was 1,154 as follows:

Category	Numbers
Regional office managers	26
Clerical and executive staff	581
Placement officers	346
Consultants (1)	114
Vocational guidance officers	87
Total	1,154

1) The main function of these consultants is to visit employers to ascertain their employment problems, the nature of the work they provide, etc., and to promote the use of the PES.

In addition, 60 placement officers and 45 Vocational Guidance Officers were employed on a part-time basis. A number of the staff formerly employed by the Insurance Funds have been taken over by the PES since 1969.

3.18. In 1971/72, 260,000 vacancies were notified to the PES and 220,000 were filled. The Danish authorities estimate tentatively that this may be about 15% of all vacancies. Most of the placements are in the unskilled and semi-skilled categories and many of them are for short-term work in the service sector.

3.19. The Danish PES, in common with those of most Western countries, is burdened by a legacy from the past. Employment Exchanges started to function, and continued for many years to function, in periods of heavy unemployment. Their main task was seen to be (and by many is still seen

* The number of these is now (April 1973) being revised with the object of seeing whether a smaller number of offices, each providing more services, would not be more efficient.

to be) the protection of unemployment funds against abuse. One way of doing that was to place unemployed workers in jobs as quickly as possible. Seldom was enough thought given to whether the job suited the person or the person suited the job. There was little time to think about the problems of people who were unsuited to, or unhappy in, their jobs. Exchanges dealt mainly with the unskilled. Society tended to regard the unemployed as blame-worthy rather than unfortunate. Stringent controls were imposed on the payment of benefit, the main one being compulsory attendance of the unemployed at the Exchanges at frequent intervals to sign on for benefit. This led to long queues of shabbily dressed unemployed often outside the doors of the Exchanges.

3.20. All of this had, and unfortunately continues to have, a damaging effect on the public image of the PES in most countries. Exchanges were often housed in dingy premises in back streets. Many Exchange staff saw their role as that of protecting the public purse against the depradations of thousands who had no stomach for work. To the self-respecting, it was often a tragedy to have to attend at an Exchange to draw benefit - most of them did not regard it seriously as a means to help them to get suitable work; they fended for themselves. Employers seldom regarded the PES as an effective source of securing suitable labour.

3.21. We know, of course, that the most serious of these faults have been, or are in the course of being, rectified in almost all countries and Denmark is certainly no exception. Nevertheless, old attitudes die hard, and the organisation of a modern PES is hampered by memories of the past. And the task is not made easier by the fact that governments, employers and, indeed, the general public are convinced of the continuing need to control the abuse of Unemployment Funds. The need to retain the control function will tend to affect adversely the public view of the PES, the attitudes of staff, and type of client (both employer and worker) who will use the Service. But most serious of all - it will tend to blur what should be the main objective of a dynamic PES.

3.22. We have tried to assess the Danish PES against the criteria outlined in previous paragraphs for a progressive PES. In the first place, we should stress that there have been improvements in recent years, and that further improvements are planned. The employment of people actively to promote the Service amongst employers (see paragraph 3.11), proposals for regionalization which will involve fewer, but larger, regional and local offices, efforts to place the control function in its proper perspective, these and other improvements have been effected or are planned. But there are difficulties:

i) Much has still to be done in improving the public image of the Service. The best way of doing this is to provide a service that all concerned - workers, employers and other public authorities wish to avail themselves of.
ii) The control function still tends to dominate thinking not only in the Service iteslf, but also in employer and Government circles. The reform in 1969 was effected because the employers' organisations were unhappy about leaving this function with the Insurance Funds and induced the Unions to agree to its transfer in exchange for an increase in benefit rates.
iii) The prime objectives of the PES may not have been spelled out clearly so that all concerned can understand them fully.
iv) It is open to question whether the Service has the resources either in money or in staff (and here it is as much a question of their attitudes as of their number) to perform effectively the functions of a modern, dynamic PES.

v) It is doubtful whether the Service has the power, the autonomy or the influence to take, or effectively to stimulate the taking of, action to overcome shortages or to combat unemployment in a speedy and flexible way.
vi) The Service is lacking in a research and planning capacity.

3.23. There seems to be a general belief amongst the authorities that labour market problems in Denmark will, in the future as they have in the past, solve themselves with minimal State intervention. We have already (see Chapter II, paragraph 2.21 et seq.) questioned that belief for reasons which we consider are convincing. All the indications are that Denmark will have a serious manpower problem in the years ahead. There is a likelihood of a shortage of manpower in many areas. The demand for skilled manpower is likely to exceed the supply. There will be a need to tap labour market reserves. There will be a need to train and retrain people in skills. The nature and the timing of correct action in regard to labour reserves and training, will depend to a great extent on the availability of accurate and up to date information on the demand for, and supply of, labour. This information can best be supplied by a PES which is geared to collect and disseminate it in the right quarters. Despite the improvements which have been made (e.g. the employment of consultants in a promotional role) or are planned (e.g. a greater degree of regionalization) we have doubts whether the PES in Denmark is at present so organised.

3.24. We would, therefore, suggest that the Danish authorities might consider action on the following lines:

i) define clearly new aims and objectives of the PES;
ii) set a time scale for achievement of the aim and objectives;
iii) undertake a searching assessment of the methods by which the aim and objectives are most likely to be achieved;
iv) determine the resources necessary (both money and staff) effectively to implement the methods decided on under (iii) with the time scale at (ii);
v) make a determined effort to secure the agreement of all concerned - Government authorities, employers' and workers' organisations - in regard to the above matters.

An approach on the above lines would enable more rational decisions to be taken about the objectives of Regional Labour Market Committees and the resources they should have. It might lead, too, to a reconsideration of present policy for dealing with underprivileged groups.

3.25. We recognize that action on the lines set out in the preceding paragraph might take time to complete and that there are interim measures which could be put in hand at once which would be unlikely to prejudice the major review. We would suggest the following for consideration by the Danish authorities:

a) a general strengthening of staff, both in numbers and in calibre, in the Ministry and Directorate of Labour; this to include a capacity to assist in research and planning;
b) acceleration of plans for the recruitment and training of new staff, and for the retraining of existing staff in the PES as a whole;
c) the provision of special services for groups such as the self-employed, short-term workers, more highly qualified workers, married women desiring to enter the labour force, etc.;

d) the investigation of new operational systems, e.g. EDP and telex;
e) special teams to disseminate new policies and approaches throughout the PES;
f) special measures to improve communications and relations with employers, workers and the general public.

3.26. We realize that the suggestions in the preceding paragraphs if agreed upon and implemented, would involve greatly increased expenditure on the PES at a time when all the pressures are towards restricting the growth of public expenditure. But this is a central and vital aspect of an effective manpower policy and as the Minister for Labour said in a speech on 29th November 1971 - "To organise a new PES without devoting the resources necessary in order that the Service shall be able to solve the many important problems that must be solved, is bad economy." We are all the more disappointed, therefore, to note that, instead of resources of both money and staff being increased over the next few years, the authorities have decided on a cut back in expenditure and a reduction in staff between now and 1976. We would urge most strongly that this decision should be re-considered.

4. TRAINING

Introduction

3.27. We did not study the general system of education in Denmark but we were informed that it is well organised and administered and that there is continuous research designed to ensure that it is progressive and takes account of present and likely future needs.

3.28. We are not so sure that the same can be said in regard to the system of training and retraining schemes which we did study. And we have doubts about the relative allocation of resources as between academic secondary and higher education (2,100 million Kr. in 1971/72) and vocational education and training schemes (900 million Kr. in 1971/72).

3.29. We did not have an opportunity of assessing whether the arrangements for training within companies were adequate to meet present and likely future needs. Neither did we receive much information about the adequacy, or otherwise, of facilities in the vital area of management and supervisory training. We formed the impression that the Danish authorities did not consider that these were matters that should concern them - that they were the responsibility of individual employers and their organisations. We were, however, assured by the employers' organisation (DA) that training and retraining within companies was being handled effectively and that the arrangements for training of managers and supervisors were satisfactory.

Apart from normal training within companies, there are, in Denmark, three main methods of training for industrial and commercial employment:

a) a traditional apprenticeship system which is essentially controlled and financed by employer and worker organisations under the wing of the Ministry of Education; (this system involves the use of the technical school system for related instruction which, of course, is mainly financed by the public authorities);

b) a system of training for unskilled workers which again is essentially controlled by employer and worker organisations but which is under the wing of, and largely financed by, the Ministry of Labour;
c) a system of retraining and further training for skilled workers which is operated directly by the Ministry of Labour assisted by an advisory committee representative of employer and worker organisations.

The Apprenticeship System

3.30. The employer and worker organisations have, by law, a decisive influence on the training of apprentices. There is a Central Apprenticeship Council and a network of joint committees for various trades, all of which are representative of employer and worker organisations. The Ministry of Education administers the law but it is the organisations which effectively determine what occupations are suitable for apprentice training; what practical and theoretical training should be given; what the ages for entry into apprenticeship should be; what the term of apprenticeship should be; and the application of tests on completion of apprenticeship. They also supervise practical training within enterprises to ensure that it is adequate. The minimum age for entry into apprenticeship is 14: entry seldom takes place over the age of 18.

There are contracts of apprenticeship between the young persons and their employers. Most of the practical training is expected to be given on the job in accordance with rules made by the Apprenticeship Council. Theoretical instruction, with associated practical work, is given in the technical schools on a day release basis. The joint committees have a major voice in determining the syllabi. For most trades the term of apprenticeship is four years. There is no overall determination of apprentice intake in accordance with present or likely future needs, and there is a prohibition on restricting apprentice intake by collective agreements. There are over 150 separate trades or occupations covered by apprenticeship and the total number of apprentices in training at present is in the region of 75,000 (very roughly about 25% of the relevant age group).

3.31. Any system of apprenticeship organised on these lines tends to suffer from certain defects:

i) the unplanned intake of apprentices at a given point of time takes no account of the likely demand for skilled workers in 4 years' time;
ii) both the practical and theoretical training are rather narrowly based; and this is unwise in an era of rapid technical change;
iii) the adequacy of practical training depends too much on the production requirements of the job, on the attitude and skills of the person instructing the apprentice; it is also difficult to supervise the training given on the job;
iv) it is difficult to relate the theoretical instruction given in the schools on a day release basis with the on-the-job practical training;
v) in some trades the system involves the denial of a right to an adult who is anxious to secure, and able to avail himself of, training to skilled level;
vi) the system is inflexible in that quick action cannot be taken to overcome skill shortages which may be damaging to the national economy;

vii) once an occupation has been designated as a skilled one for which apprenticeship is necessary, it is very difficult (mainly for wage or salary reasons) to change it, even though technical progress may have taken much of the skill out of the occupation;

3.32. These, and other, defects are recognized by many people in Denmark, and there is a general realization that the present system is unsuited to an era of rapid technological change. A major reform of the system is under consideration, and experiments with a new system have been under way for some years.

3.33. The proposed reform would aim initially at providing a basic one year course of vocational education in one of six or seven major industrial or commercial sectors. This would be provided, for those who wanted it, after the 8th or 9th year of conventional education. After the first few months of the basic year's course, students would be able to specialize in a particular branch of a sector (e.g. in commerce choosing between clerical, retail or wholesale) or to switch to another basic course. Later on further specialization would take place with periods of experience on-the-job being supplemented by additional modules of education/training in the vocational schools. There would be a combination of practical, theoretical and general education in these courses. In time, as the period of compulsory education is extended to 12 years, the last three years would be on the above lines with school periods interspersed with periods of practical work on-the-job and with the possibility that trainees could change courses and occupations with comparative ease.

3.34. The results of pilot projects in the engineering trades, and in the commercial sector, suggest that a reform on these lines would hold many advantages. A broader basic training would be given which should provide an adaptable labour force for the future; retraining should be easier in later life because the base was broad. Attitudes to change and to accepting retraining would become more flexible. Artificial demarcation lines between trades and occupations would become blurred and might, in time, disappear. Systems of remuneration for work done might become more logical. A more rational trade union structure might emerge. Undesirable distinctions between accademic and non-academic systems of education might be erased. And educational ladders would be provided to enable people of ability, and ambition, to reach the higher levels irrespective of their preliminary educational background.

3.35. In principle, we are in agreement with a reform on these lines. But we feel that there may be some drawbacks and we would suggest that the Danish authorities might give further consideration to the following points before coming to a final decision.

3.36. Under the new system students would not, in the basic year, be in employment or be tied to a particular occupation. This has its desirable aspects, but there is a danger that insufficient young people will opt for skilled occupations, and that shortages may emerge which may be damaging to the economy in a number of ways. It would seem necessary that efforts should be made to ensure that sufficient numbers of young people do, in fact, enter skilled occupations. This is as much a matter for employers' and workers' organisations as for Governmental authorities. It also highlights the need for adult training arrangements aimed at overcoming reasonably quickly, shortages of skill which may emerge as a result of under-estimates of requirements or failure to attract sufficient young people to certain occupations under the main system.

3.37. There is also some possibility that the courses might become too academic - that the practical aspects might be submerged in an approach which was over-educational in nature. What is needed is a balance between the broader educational development and the practical needs of the job. This balance will vary as between occupations and will change, in time, due to technical advances.

3.38. The new system would tend to widen the gap between the knowledge and skill of younger as against older workers. Apart from the strains and tensions that might result, it would seem, both for equity and to improve the functioning of the labour market, that much greater resources should be devoted towards courses of further education and training for older workers who may wish to update their existing knowledge and skills, or to acquire new knowledge and skills.

3.39. The new system would be expensive. At a time when all the pressures are to curtail the growth of public expenditure, there may be a tendency to delay this much-needed reform because of increasing demands from other educational sectors. It might be a good idea to set a timescale for the introduction of the new system and, in view of the gap between expenditure on academic secondary and higher education and expenditure on vocational education and training, to take a positive decision that the bulk of any additional resources becoming available should be diverted towards vocational education and training for some years to come.

3.40. It may, in practice, be difficult to confine the basic courses to six or seven broad sectors. As we have mentioned earlier, it is important to ensure that there is, at all times, a proper balance between the broad educational and practical training aspects. A rigidity in confining the courses to a small number of broad sectors might give rise to dissatisfaction amongst both employers and unions with the products of the new system on the grounds that their knowledge and skills are not closely enough aligned to the practical needs of the occupations in the branches concerned.

3.41. Finally, there may be strong opposition, particularly from some craft unions, to such a fundamental reform of the traditional apprenticeship system. A major effort to convince all directly concerned, and the general public, of the merits of the new system would seem to be essential.

Training for Unskilled Workers

3.42. Training for this category is under the wing of, and largely financed by, the Ministry of Labour. But the system is effectively controlled by the employer and worker organisations. The Training Board is representative mainly of employer and worker organisation, with representation, too, of the interested public authorities. There is also a network of representative Branch Committees for various industrial sectors. The Branch Committees determine the needs and prepare (and keep up to date) training programmes and syllabi which must be approved by the Board. They also arrange with a variety of special training institutes for the implementation of the approved training.

3.43. Trainees are normally required to have reached the age of 18 years and the training is available to anyone who is employed or who seeks employment in one of the occupational fields covered by the courses. There are, at present, 200 training programmes mainly in the construction,

metal and road and rail transport sectors. Courses are organised for small groups and usually last three weeks. However, the courses are arranged in modules which can be taken singly or on a continuous basis. The total number of trainees in 1971 was 35,000 but the average number of courses per trainee is 1.7, so that the number of persons involved was about 20,000. Expansion is taking place at the rate of 15% per year. The bulk of the trainees are in the 19-34 age group and about 1/6th of them are women.

3.44. Persons attending these courses receive an allowance which equals the appropriate rate of unemployment benefit for the occupation involved. Persons leaving employment for training can, however, get the equivalent of average previous earnings over a specified period subject to a maximum of 125% of the appropriate unemployment rate. Travel allowances are also payable in certain circumstances.

3.45. The training is given in a variety of institutions and, in general, is financed to the extent of 85% by the State; the remaining 15% is contributed by local authorities and the employer and worker organisations.

3.46. The total number of man-weeks devoted to this form of training is 100,000 (2,000 man-years, or 0.1% of the labour force). Total expenditure, including allowances to trainees, in 1971/72 was of the order of 80,000,000 Kr.

Retraining of Skilled Workers

3.47. This system is aimed mainly at skilled workers who have had an apprenticeship training and who need further training or an updating of skills. Although operated directly by the Ministry of Labour, it is, in effect, the employer and worker organisations which determine what training is to be given and in what trades.

3.48. Courses (of which there are about 35) are given in the skilled trades - predominantly in the metal and construction sectors. The courses normally last from 2-4 weeks. They are provided at training institutions established for other areas of vocational training. The State meets 85% of expenses, the remaining 15% being contributed by the employer and worker organisations.

3.49. The courses are available to persons over 18 years who have completed the appropriate initial training and are not eligible for training for unskilled workers. Allowances during training are paid on the same basis as for trainees in the unskilled sector.

3.50. The total number of trainees handled in 1970/71 was 10,000 and participant weeks was of the order of 20,000. The budget for training under this heading for 1971/72 was of the order of 35,000 Kr.

3.51. There are also some other training and retraining schemes but their scope is small and we do not think it is necessary for us to detail them in this review. We should mention, however, that there is a scheme (mainly in the regional development areas) under which training is given within enterprises and a wage subsidy is paid until the trainees reach experienced worker standard.

Comments on Training and Retraining Schemes

3.52. The aspects of the above which strike us most forcibly are:

i) the division of responsibility for training between two ministries. The Ministry of Education is responsible for initial apprenticeship training, the Ministry of Labour for adult training. The reasons for the different ways of operating training for unskilled and skilled workers under the Ministry of Labour are not clear;
ii) the extent to which the employer and worker organisations dominate the training scene. They say, in effect, in what branches training is to be given and what that training should be;
iii) the total training effort does not seem to be geared to ensure that the development of the economy will not be hampered by shortages of skill;
iv) there seem to be few opportunities for adults to attain skilled level through training;
v) training (apart from apprenticeship) and retraining seem to be geared mainly towards the engineering, construction and road and rail transport industries;
vi) the range of courses seems narrow and the apparent commitment to very short courses for adults in almost all cases seems debatable;
vii) the opportunities for retraining or further training for higher level workers whose skills may have become obsolete are limited;
viii) the small percentage of older workers and women enrolling for the courses;
ix) the comparatively limited resources being devoted to adult training and retraining;
x) the impression that adult courses are of an ad hoc nature, and are not part of an overall policy aimed at achieving definite long-term objectices in the manpower field.

3.53. The main aims of training and retraining schemes should be to ensure:

i) that national development is not hindered by shortages of skill;
ii) that businesses have an adequate supply of trained and flexible workers;
iii) that individual workers at all levels have reasonable opportunities of developing themselves to the limit of their capabilities;
iv) that workers at all levels whose employment or qualifications are affected by structural, economic or technological change should have adequate opportunities to be retrained for new work or in new skills.

3.54. We have argued earlier (Chapter II, paragraph 2.42 et seq.) that Denmark is going to experience an overall shortage of manpower; that skill shortages will develop; and that structural changes will necessitate a major shift of manpower resources out of domestically oriented sectors into the exporting sectors. The pace of technological change will mean that increasing numbers of people will require training or retraining several times during their working lives.

3.55. It goes without saying that business and other organisations must be responsible for training that is directly aimed at meeting their own needs. But there is a growing realization that the future is going to bring a major problem of manpower readaptation and that it is the responsibility

of the public authorities to help in solving this problem. Training and retraining schemes have a vital role to play in this regard.

3.56. We have doubts whether the Danish training and retraining system is adequately geared to the tasks that lie ahead. Divided responsibilities and functions, inadequate resources, a short-term perspective, the lack of a research and planning capacity, a relatively narrow range of courses at a relatively low level, inadequate attention to problem areas (e.g. older workers and women) and the limited influence which the public authorities seem to have, all lead us to the conclusion that the aims set out in paragraph 3.53 above are unlikely to be attained under the Danish system.

3.57. We learned that, in the period to 1976, the rate of increase of expenditure on training and retraining is to be drastically reduced - not, as we would recommend, more rapidly expanded. The main part of training and retraining of semi-skilled and skilled workers takes place in general workers schools. Seven of these are State owned but the remaining 27 are independent institutions largely controlled by local employer and worker organisations. These schools tend to specialize in training for a particular branch e.g. construction, metal, etc. About one-third of all resources for training and retraining are geared towards the construction industry. We have been given to understand that, in order to meet the budgetary cuts, it is proposed to let the bulk of the reduction fall on the flexible elements of the system where premises and staff are not permanent so as to safeguard the inflexible elements in which there are permanent buildings and full-time staff. One-third of all resources are being spent on training for the construction industry when the objective of economic policy is to reduce manpower in that industry. Local, and not national, interests are predominant in decisions about training and retraining. These facts underline the conclusion which we have reached in the preceding paragraph.

3.58. As in the case of the PES (see paragraph 3.24) we feel that it might be worthwhile for the authorities to undertake a searching re-assessment of training policy. The object would be to determine precisely what aims they are trying to achieve, the best means of achieving these aims and the resources in terms of both people and money needed to implement the approved means against agreed target dates. This re-assessment might take into account whether training within companies and in the important management and supervisory area, is adequate for present and likely future needs. Government authorities, and workers' and employers' organisations would have to participate in this work, and the widest measure of agreement should be sought. But in the long run it is the responsibility of the Government to decide what is best in the national interest.

A major re-assessment on these lines would take time and it might be desirable for the Danish authorities, as an interim measure, to identify those occupations at all levels from operative to management, in which shortages are causing, or are likely to cause, difficulties. Existing training schemes should then be adapted, and new schemes initiated, to overcome these shortages.

3.59. We have noted the divided responsibility that exists in this field between the Ministries of Education and Labour. It would seem to make sense to have an integrated vocational training and retraining system under the general control of one public authority. If the reform of apprenticeship goes on the lines indicated (see paragraph 3.33 et seq.) then there are strong arguments for leaving this aspect with the Ministry of Education. But there are those who would argue that that Ministry is too

remote from the practical working of the labour market to be given overall responsibility for adult training and retraining. Perhaps the solution may be found within the framework of a new administrative structure for manpower policy which is discussed in Chapter V.

3.60. We accept fully that employers' organisations and trade unions should have a voice in regard to what training is needed and should be given. But they should not have the sole voice and perhaps not the decisive one. It is unfortunately true that, in this area, employer and worker organisations tend to take the short-term view of what is necessary and that their thinking can be influenced by vested interests. This is an area which affects the lives of individual workers and is of great importance to the national welfare. The public authorities should have a major say in determining and implementing policy about training.

3.61. In an open, progressive, democratic society such as exists in Denmark it should not be acceptable that anyone be denied the right of pursuing an occupation of his choice in which he is qualified or can become qualified. But this is precisely what is happening in many of the skilled areas of the Danish labour market. Unless a person decides at a very early age (usually 16-18) to take up an apprenticeship, he or she may be debarred forever from attaining skilled status in certain occupations. There are many able people who make wrong choices when they are young, there are others who find themselves in dead-end jobs, there will be increasing numbers whose jobs will disappear because of technological and other changes. Any adult who has the willingness and the capacity to avail himself of training for skilled occupations should have the opportunity of doing so.

3.62. We realize that entrenched attitudes on this subject are slowly changing. The reform of apprenticeship, if and when implemented, will make a radical difference. We know that there are difficulties but we think there are grounds for hoping that a break-through on this issue may occur in the near future.

3.63. Training and retraining in Denmark are aimed at the lower levels of skill and tend to be concentrated on a few major sectors. But the changes in the future will affect the employment of people at all levels - managerial, technical and supervisory as well as skilled and unskilled - and in all sectors. It would clearly be difficult and probably unnecessary to establish special training institutes for higher level workers, but serious consideration might be given to the provision of suitable financial aid to such workers who could avail themselves of courses in existing institutes.

3.64. It is older workers (those over 40), the married women, and other disadvantaged groups entering or re-entering the labour force who are often most in need of training or retraining to help them to secure employment. In recent years immense resources have been devoted to the improvement of general education and in making it available free, or at little cost, to all who wish to avail themselves of it. Consequently, increasing numbers of young people are entering employment with a high standard of education which enables them more easily to adapt to change. This is highly desirable, but it raises a problem of equity in relation to the older worker who pays for, yet has not benefited from the educational revolution. It is clear that the present system of training and retraining in Denmark is making little impact on older workers and other disadvantaged groups. The reasons for this are not clear. It may lie in the attitudes of the workers themselves; it may lie in the structure and nature of the courses; it may be a question of financial incentives; it may be a

scarcity of resources. We would suggest that this is an area which might be thoroughly researched by the Danish Authorities so that training schemes may be suitably adapted to meet the special needs of such workers.

5. THE UNEMPLOYMENT INSURANCE SYSTEM

3.65. Private unemployment benefit funds were started in the beginning of this century by the trade unions. In 1907 an Act was passed providing for financial aid to be given to the activities of the funds. Today, about 60 private, state-recognized unemployment benefit funds are in existence. The number is tending to decrease through amalgamations. Only wage earners, whose main income is derived from paid employment are eligible for membership. There is a lower age limit of 18 and an upper age limit of 70. In order to be entitled to benefits various conditions must be fulfilled; the person concerned must, among other things, have had at least 26 weeks' employment within the last three years. The right to benefits is normally acquired only after one year's membership. Another condition is that the unemployed person is available for employment, i.e., that he is willing and able to take up suitable work found for him by an employment exchange.

3.66. The financial coverage in spells of unemployment has been increasing in the course of time, partly in the form of higher benefits, partly as a result of the abolition of various restrictions, e.g. as regards the number of benefit days within a year. A recent amendment to the Unemployment Insurance Act repeals the rules relating to waiting days.

3.67. Every member of the funds receives, in case of unemployment, a weekly cash benefit which can be 90% of his former income up to a maximum amount. Former income is calculated as the average income in the last five weeks before unemployment. The maximum level of cash benefit is 116 D.Kr. a day. This maximum level is adjusted every year in line with the development of average income of wage earners in industries all over the country. Each year the funds decide what level of cash benefits they will pay up to the authorized maximum. Before the last amendment, there was a wide range of benefit levels operated by different funds. After the latest amendment, i.e. after 1st April 1972, almost all funds have chosen the maximum cash benefit (now, April 1973, 116 D.Kr.).

3.68. The membership contribution is a fixed amount related to the rate of the daily cash benefit. The contribution constitutes an annual amount corresponding to 2 1/4 times the rate of daily cash benefit. If a fund does not receive enough money in contributions from members, the Exchequer pays the rest. The expenses involved by an increase in unemployment are thus fully covered by the Exchequer. On the other hand, if a fund receives more money in contributions than is necessary to pay benefit at the chosen level, the surplus is transferred to the Exchequer.

3.69. As a new departure, a recent amendment to the Unemployment Insurance Act provided for part-time workers to be admitted to unemployment insurance. By part-time work is understood work the duration of which is at least 20 and at most 30 hours a week. About a quarter of the existing unemployment benefit funds, representing about half of the total number of members, have admitted part-time workers as full members; however, by August 1972 only 24,000 members were covered by the "part time" insurance. Almost all are women, and half of them are in the commercial and clerical employees' fund.

3.70. At the same time, the new Act and new regulations have relaxed the conditions for the self-employed to obtain full membership; nevertheless, they are eligible for such membership only if they are fully available for paid work. So self-employed persons cannot benefit from the rules relating to unemployment insurance of part-timers.

3.71. A casual reading of the above possibly leads the reader to assume that a standardized system of earnings-related benefit is in force in Denmark. This is not the case for three main reasons:

a) under 40% of the labour force (45% of salaried employees) is covered by the various schemes;
b) the actual rates of benefit are set each year by the separate funds. Among the factors they take into account in setting the rates are the dispersion in wages actually paid to their members, the need to limit the level of contributions and the severity of the unemployment expected in their membership in the year ahead. If only frictional unemployment is expected, for instance, the fund may be tempted to set a low rate of benefit so that the contributions would also be low. In 1971, for instance, the rates of benefit varied from a maximum daily rate of 93 D. Kr. to a minimum of about 50 D. Kr.;
c) even if all funds paid benefits at the maximum rate (and the tendency is for an increasing number to move in this direction) the more well-to-do workers would receive only about 50% of previous earnings.

3.72. The big advantage of the present system is that low income groups receive the highest coverage for loss of income due to unemployment, provided of course that their fund has set its level of benefits at the maximum authorized. The maximum authorized is reckoned to be set sufficiently high to provide a reasonable standard of living for an average family in normal circumstances. In this way the low income groups, which are largely concentrated in the western high unemployment areas of the country, are given a useful measure of protection.

3.73. However, the present system also seems to present a number of disadvantages from the point of view of the labour market. These can probably be removed only gradually and as part of a co-ordinated programme of reform. One disadvantage is that only a minority of employees is insured. The uninsured groups which traditionally have been less subject to unemployment have not observed the principle of solidarity with the less fortunate. Of course the Ministry of Finance underwrites actual benefit payments and makes good the shortfall out of general revenue from taxation which bears more heavily on those in well-paid secure occupations. But this does not alter the fact that the more securely employed have not contributed directly to alleviate the burden of the less fortunate.

3.74. The securely employed are in a sense doubly fortunate. Not only is the risk of unemployment less but, because of special legislation dating from before the war, when employers were anxious to limit the growth of funds, it is obligatory for employers of white collar workers to give them from 3 to 9 months notice of dismissal. * These workers thus have a fairly

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* A survey showed that white-collar Union Officials considered the high degree of job security was a major reason for the difficulty in organising white collar workers: "Organising Danish White Collar Workers: the Attitudes of White Collar Union Officials", by Albert A. Blum and Jan Plovsing in Sartryck ur Acta Sociologica, No. 2".

long period in which to look around for a new job without becoming unemployed. The insured but still vulnerable section of the labour force is protected against the worst consequences of unemployment because of its own group insurance schemes. The uninsured do not need to go to this trouble and expense because their employers are ready to give them guarantees against the consequences of sudden unemployment.

3.75. Changes in employment structure and the speed of the response to changed market conditions are increasing the vulnerability of previously secure groups to periods of unemployment. White collar workers and executive and technical staff can no longer assume that unemployment is no threat to their position. * Obviously with the continued restricted growth in labour supply, the likelihood of large numbers of workers suffering prolonged unemployment must be fairly remote. Nevertheless changes in the demand for skills can present problems for individual workers - especially the older ones who may find it difficult to learn new skills. Even if sufficient retraining courses for white collar workers were available - and due account taken of the special needs of older workers - there may therefore be a greater need in future to extend the coverage of the unemployment insurance funds to include white collar workers. Whether this extension is promoted on the grounds that it would remove an injustice and maintain the principle of worker solidarity or whether it is advanced as a prudent measure of enlightened self-interest is a problem which the funds will need to resolve in the light of the groups at whom any recruitment campaign is directed. But it seems clear that an extension of the coverage of the funds to include white collar workers would be a desirable reform.

3.76. The close connection between the Funds and the PES seems to be something of a handicap in the latter's efforts to serve the whole labour market. Workers in uninsured trades do not look upon the PES as being particularly appropriate or competent in their trades. Of course the handicap can be turned into an advantage by publicity campaigns which stress the comprehensive nature of the current PES activities.

3.77. Another disadvantage of the present system is the alleged low rate of membership of young workers. In part this is simply a reflection of the fact that a high proportion of young workers enter the expanding white collar occupations which are not yet covered by the Funds. In part, however, it also probably reflects the feeling of the young that unemployment is no immediate threat for them. This lack of interest presents a challenge to the continued existence of the funds and increases the difficulties of establishing a PES which caters for the whole community.

3.78. An unforeseen side-effect of the present system is the unreliability which it adds to the unemployment statistics. These are based on regular counts of the insured unemployed and the unemployment rate is calculated as a percentage of the total insured population. As the insured population probably still has a higher rate of unemployment than the uninsured, the unemployment percentage figure will be too high if applied to the total labour force, yet this is what frequently happens in everyday discussions of the level of unemployment. It has been suggested that this has led to premature political pressure for reflation of the Danish economy.

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* The survey mentioned in the footnote to the preceding paragraph gave increasing job insecurity as the second most important reason for expecting unionization to increase amongst white collar workers.

3.79. A further potentially serious disadvantage of the present system is the bar to mobility which it represents. The funds, like the majority of Danish trade unions, are based on occupational lines - the 1970 Act says that funds may be recognized only if they admit members from one or more occupations, have at least one thousand full members and observe the rules laid down in the Act. These rules again relate to the need for a fund to define its occupational field. If there were only a few funds, each with a wide occupational coverage, this might not represent much of a bar to occupational mobility. Of course the funds have made arrangements to allow members to transfer from one to another without having to serve the full qualification period (normally a transfer is accepted after 4-5 weeks in the new job instead of a year). But the present situation with sixty separate funds is administratively cumbersome and must be something of a psychological hindrance to occupational mobility. This raises the whole difficult problem of persuading craft-organised trade unions to give up traditional demarcation lines and other protective measures which are no longer so important in a period of general scarcity of labour.

3.80. We have come to the conclusion that there are considerable advantages in integrating the unemployment benefit system as part of the general social security system. These advantages are partly to do with efficiency, partly to iron out inequities and anomalies as between different occupational groups, partly to increase the possibilities of occupational mobility, and also to institute equivalence of income maintenance arrangements at different ages and conditions of health.

3.81. In principle, as noted above, each fund can determine its annual level of benefit. However, the majority of funds have preferred to fix their payments as a fairly high percentage of average earnings up to the present ceiling figure of 116 D.Kr. (in April 1973). From various social policy points of view this high level of assured income is undoubtedly beneficial in that it tends to reduce the dispersion in incomes and ensures that everybody can maintain a reasonable standard of living irrespective of the state of demand in the labour market.

3.82. From a labour market point of view however this element of income-security may have disadvantages if it encourages workers to resist leaving occupations with surplus labour. It can also have disadvantages if it means that employees in the PES get the feeling that the unemployed are being treated too generously, especially if they receive almost as much in unemployment benefit as PES personnel do in salary. It will then be a normal reaction for them to put the unemployed under great pressure to take any job that can be found. We were told by a local union officer in a region of high unemployment that the PES was unreasonable in forcing local unemployed to move to Copenhagen because no work could be found close at hand. We are not concerned with the truth of this particular complaint. No administration is ever without fault and it is always especially easy to criticize an employment service. But the fact that the complaint was made not by a disgruntled worker but by a responsible officer (and similar complaints were heard elsewhere) indicates that the PES has some way to go before it meets with the public support and understanding it needs. This is an area where better communication with regional and local tripartite advisory bodies could possibly be useful.

3.83. As regards the problem of lack of mobility, the Danish authorities may wish to consider the possibility of developing new incentives to occupational mobility. These could be either increased rates of grant for taking retraining courses or perhaps simply some sort of bonus system such as the Japanese "starting bonus" under which unemployed persons who are placed before they have exhausted more than 50% of their entitle-

ment to benefit receive a special grant from the unemployment insurance fund. The Japanese authorities have claimed (in the report on the Japanese manpower examination) that this system has reduced the average length of unemployment by encouraging people to return to work quickly and that it has reduced the claims on the insurance fund. This is of course not the place to argue whether these results are correctly attributable to the introduction of the starting bonus. But if further studies substantiate the frequently heard complaint about the immobility, especially of skilled workers, in Denmark, changes on the above lines might be helpful in reducing resistance to mobility.

6. MEASURES TO AID GEOGRAPHICAL MOBILITY OF LABOUR

3.84. For many years there have been financial aids to geographical mobility in Denmark. These were such things as travel expenses, removal expenses, the cost of double housing, settling-in expenses, etc. Expenditure in 1969/70 under this heading was nearly 5,000,000 Kr., but the number availing themselves of these provisions appears to have been small. For instance, 4,000 people received travel aids, 1,500 received grants towards the expenses of double housing, 900 received help for removal expenses. Because these aids may be granted by different PES offices, it is not easy to tell the total numbers affected - many people may obtain two or more different forms of aid.

3.85. One of the difficulties in promoting geographical mobility has been an overall shortage of housing with municipal authorities giving preference to people who have lived in their areas for some years. A recent measure laid down that it would be a condition for Government supported house production that a certain share of new housing should be reserved for workers moving into a new area to take up employment.

3.86. Consideration is also being given to new legislation to take account of the fact that mobility-promoting aids are now being administered by the PES instead of the Insurance Funds, and to guard against aid being given in cases where the removal is a normal one.

3.87. It is our impression that the degree of geographical mobility of the labour force in Denmark is low and that the research into the fundamental reasons for this has been minimal. We would like to suggest, for consideration by the Danish authorities, that this area might be thoroughly researched so that future measures to promote geographical mobility may strike at the roots of obstacles in the way of such mobility.

7. MANPOWER INFORMATION

3.88. The present manpower information system is a product of historical and institutional factors. The system has not changed much, though some functions have been altered. There is, on this basis alone, an asymmetry in the present information output.

3.89. Information is needed for the PES to provide a better service; equally, more information becomes available if the PES increases its role in the labour market. One of the main purposes in getting more information is to clarify developments in local and national labour markets, and in geographical and occupational terms.

3.90. We found the present level of information inadequate for anything but the most elementary analysis of current events in the labour market. Its inadequacy is further exposed if one wishes to use it for forecasting purposes.

3.91. In the collection and assembly of information there seemed to us to be a fair degree of duplication, for instance, the two registers in the Unemployment Funds and the PES. Though there are obvious difficulties in introducing new methods, and modern techniques are expensive, in the longer term the introduction of EDP would be of technical advantage and contribute to cost economies.

3.92. We would propose that the Ministry of Labour establish an inter-departmental working party to investigate the need for modifications in the existing quantity, method and coverage of labour market information.

8. SEASONAL STABILIZATION AND TEMPORARY JOB CREATION POLICIES

3.93. It has been a matter of surprise that large seasonal fluctuations should still affect the Danish labour market scene. In 1969 for instance the number of unemployed in January was nearly 60,000 compared with the 13,000 unemployed six months later. The same pattern was repeated in following years - average unemployment in the first quarters of 1971, 1972 and 1973 was 47,000, 42,000 and 53,000 respectively, falling to 14,000, 21,000 and 26,000 in the second quarters and then to 9,000, 17,000 and 16,000 in the third quarters. The major part of this heavy seasonal unemployment concerns unskilled workers, many of them engaged in hotel and catering trades, agriculture, fishing and the construction industry. Unemployment of skilled building workers also shows considerable seasonal swings but without approaching the dimensions of the unskilled.

3.94. So far the efforts by the Danish authorities to reduce seasonal unemployment have mainly been directed at the building and construction industries. Various regulations have been made for building activities to be carried out during the winter season. These provisions, which in the beginning only concerned public sector projects, have gradually been extended to include all kinds of building. At the same time an advisory service has been established, whereby public and private builders, architects, engineers, contractors and artisans may get free advice concerning planning and execution of winter building.

3.95. Besides the provisions relating to new building, provisions have been laid down about the repair and maintenance of buildings belonging to the state, local authorities and real estate companies. Such work may only be started between 1st October and 1st March, and work in hand must be completed or suspended by 1st May.

3.96. The main comment that can be made is that these various provisions do not yet seem to have made much impact on unemployment in the building sector. The increase in unemployment in building trades for the first quarter of 1972, compared to the first quarter in 1971 is roughly in line with the increase in total unemployment in the same period. There is obviously an advantage in pursuing efforts to reduce these seasonal swings in building employment still further. That would release scarce manpower resources for other shortage areas without necessarily reducing the output of the building and construction industry.

3.97. As regards other measures to stabilize employment in times of economic downturns, the main emphasis in the past was on public relief works, which especially in former years were carried out on a large scale. Exchequer grants are payable for major public relief works for long-term unemployed persons, subject to approval by the Minister of Labour. Because of the generally favourable employment situation in recent years, the grants have been gradually cut down so that as a rule, they have been made only for the continuation of works in progress, aimed in particular at training the hard-core of unemployed, notably in depressed areas. The grants now only amount to 8-9 million Kr. annually.

3.98. A recent development has transferred responsibility for starting public relief works to the Employment Service, administration being assigned to the employment exchanges with the assistance of the regional labour market boards. The new provisions are likely to result in a change in the types of relief works to be considered where road construction traditionally played an important part. By way of example, development of recreational areas and preservation of rural amenities are likely in future to take priority over road works, where the direct wage costs have gradually become insignificant as a result of new construction techniques.

3.99. In this connection the examiners wish to raise the question whether sufficient attention has been paid to the use of training courses as a means of reducing unemployment, in addition to its predominant objective of increasing the level of skills in the labour force. It was pointed out to the examiners that in fact training schools have always been used to counter seasonal variations in unemployment. The main means by which this was realized was by hiring extra facilities and instructors in winter e. g. in agriculture and brewing. It was an objective to build up a reserve of teachers and buildings for crash courses but as schools were independent and each had its own syllabus it was difficult to achieve this. But equipment provided by the Ministry was given on the understanding that it could be moved elsewhere when needed and in fact it was moved quite often.

3.100. It is apparent from the above that, with the present administrative machinery, the Danish authorities would find it difficult to vary the volume of training systems so as to even out more or less unpredictable cyclical imbalances in the labour market. We have already referred in the section on training to the desirability of further studies on a revision of the administrative framework for the training system. In making these studies the possibility of providing for flexible variation in the ume of training should not be overlooked. The OECD report on "Adult Training as an Instrument of Active Manpower Policy" argues the case for such a policy at length. Here we think it will suffice to quote a single paragraph which seems particularly appropriate in the Danish context:

> "1.12. Some countries have relied on temporary public works to counter-balance a recession. In many respects adult training can be a better alternative. Public works, especially arranged for the unemployed tend to be much more costly than ordinary commercial undertakings. With the advances in mechanization in the construction and building industries, the relative cost of public works and of training, as alternative methods of providing temporary income maintenance and a useful occupation for redundant workers, has shifted to the advantage of training. Particularly when general economic policy considerations necessitate a restrictive overall demand management, training courses are

preferable rather than public works since the indirect demand creating effects of the latter would undermine the policy of restraint. A selective expansion of retraining courses would enable expansion of demand to be steered more precisely to labour surplus areas and thus to have less expansive indirect effects going to areas where restraint is to be upheld."

9. VOLUME OF RESOURCES DEVOTED TO GOVERNMENTAL MANPOWER POLICIES

3.101. International comparisons of the scope and volume of governmental manpower policies are full of pitfalls because definitions and practices vary so much from one country to another. Some countries for instance rely to a large extent on tax relief concessions and investment loans to encourage employers to engage and train workers who might otherwise be unemployed. Other countries have created largely self-governing and self-financed systems of training. In other countries training is accepted as being the individual employers' responsibility. A true international comparison would need to take account of all these different ways of organising and financing training. But even at national level such calculations have not been carried far and the only attempt at international comparisons known to us is the table prepared by OECD in the report Inflation: The Present Problem. Table 4 below introduces data for Denmark.

3.102. We do not wish to make too much of this comparison. Manpower problems have not been of acute political importance in Denmark since the late fifties when full employment began to be achieved. Since then very considerable changes have taken place in the allocation of manpower without the need for large scale government intervention. There has therefore been no great demand to build up stronger manpower agencies. But as we have argued earlier in this report, it cannot be assumed that the same will be true in the future and we have in fact attempted to show why we believe that it is in Denmark's interests now to start to build up manpower policies that will enable the economy to meet the problems of the future. All that we would say of the table above is that it indicates that a considerable amount of ground will need to be covered.

3.103. However, when we consider the forecasts for the Danish budgets in the years up to 1976, prepared by the Ministry for Economics and the Budget it can be seen that as yet no major changes are contemplated in the proportion of total state resources allocated to the Ministry of Labour in this period. In 1970-71, the Ministry's part of the State's budget was 2.2%; for 1975-76 the same percentage is forecast after a short-lived peak in 1972-73 of 2.4%. Of course the total amount of the budget is expected to increase by 27% (in real terms by about 15%) from 1970-71 to 1975-76. In terms of personnel the picture is rather similar. In April 1970, about 2,125 persons were employed by the Ministry, including the PES and training institutions. By April 1971, the number had risen to 2,186 and the forecast is that thereafter there will be a rise to 2,320. This gives an increase of the same order as for all State employees (160,145 in 1970 rising to 173,500 in 1975-76).

3.104. When the figures are broken down according to the Ministry's different functions, it can be seen that expenditure on training is expected to increase most (by 43% in current prices over the six years covered

Table 4

GOVERNMENT EXPENDITURE ON MANPOWER PROGRAMMES IN SELECTED COUNTRIES
(Money figures in $ millions at current prices and exchange rates)

	Year	Adult training	Geographical mobility	Temporary job creation	Employment service and administration	Redundancy pay	Other	Total	Total as percentage GNP	Permanent job creation	Total 8 + 10	11 as percentage GNP
	1	2	3	4	5	6	7	8	9	10	11	12
Belgium	1967	9	0	19	17	7	0	52	0.3	80	132	0.7
	1968	11	0	22	19	8	0	60	0.3	80	180	0.7
Canada	1967-68	176	4	20	36	0	4	240	0.4			
	1968-69	226	6	0	43	0	6	281	0.4	327	608	1.1
Denmark	1969-70	11	1	1	9	0	8	30	0.2	4	34	0.2
	1970-71	14	1	1	11	0	8	35	0.2	4	59	0.2
(est.)	1971-72	17	1	1	13	0	8	40	0.2	5	45	0.2
(est.)	1972-73	21	1	1	14	0	9	46	0.2	5	51	0.2
Germany	1968	59	1	195	169	0	9	434	0.3	114	548	0.4
	1969	87	2	246	292	0	27	564	0.4	119	683	0.5
Japan	1968-69	65	46	185	248	0	0	544	0.3	49	593	0.4
	1969-70	70	54	196	329	0	0	649	0.4	60	709	0.4
Norway	1964	7	0	7	5	0	0	19	0.3	11	30	
	1968	9	2	8	7	0	0	27	0.3	37	64	0.7
Sweden	1960-61	14	1	54	9	0	8	86	0.7	0	86	0.7
	1969-70	92	12	80	40	0	96	324	1.2	48	372	1.4
United Kingdom (Northern Ireland excluded)	1967-68	36	2	0	36	120	29	223	0.2	597	820	0.7
	1969-70	48	2	0	58	172	34	314	0.3	654	968	0.9
United States (est.)	1968-69	840	0	481	497	0	407	2,225	0.3	283	2,508	0.3
	1969-70	1,035	0	502	563	0	551	2,701	0.3	381	3,082	0.3

GENERAL NOTE:

The table should be regarded with considerable reserve, in view of the difficult problems of concepts, definitions, and international comparability which have not been resolved in this area.

NOTES:

Adult Training. Limited wherever possible to costs of training courses largely geared to the labour market situation and its variations. Initial training in vocational schools or the normal education system and training costs incurred by employers are of course excluded.

Geographical Mobility. Aids granted directly to stimulate workers' geographical mobility may cover travel expenses for job-seeking and removal, other costs for removal or temporary maintenance of two households, costs for sale of home, etc.

Temporary Job Creation. Expenditures incurred to provide employment to tide workers over a temporary lull in activity (e.g. public works) or to stabilize employment by subsidizing labour costs during a difficult period (e.g. winter construction payments, bulk orders by state or public agencies).

Employment Service and Administration. Where possible the costs of the network of employment exchanges and ancillary facilities (e.g. for vocational guidance, aptitude testing, rehabilitation, etc.) are included, together with those of the central policy making and controlling body.

Redundancy Pay. In most countries this is arranged bilaterally without state intervention.

Other Costs. Mostly refers to payments incurred for social goals welfare purposes e.g. sheltered employment for the handicapped.

Permanent Job Creation. Payments incurred to encourage the creation of permanent employment in depressed areas can take form of investment, subsidies or loans (general case) or be more directly linked to employment, by subsidizing labour costs in the chosen industries or areas.

SOURCES:

Belgium: Office national de l'emploi et de la main-d'oeuvre, Annual Report 1968.
Denmark: Report by Danish authorities for OECD Manpower Examination.
Germany: Report by the German Authorities for the OECD Manpower Examination.
Japan: Information supplied by the Japanese Delegation to the OECD.
Norway: Report by the Norwegian authorities for the OECD Manpower Examination.
Sweden: AMS Budget.
United Kingdom: Secretariat estimates and information supplied by the Department of Employment and Productivity.
United States: Special Analyses, Budget of the United States Fiscal year 1971, 1970.

by the forecasts) with the PES a close second (37%), safety and welfare third (30%) and central administration fourth (20%). The forecast for unemployment benefit payments shows a 20% increase from 1970-71 to 1972-73 and continuing at the same level until the end of the period. This last estimate is of course not particularly reliable since the cost of the State's contribution to unemployment benefit varies with the level of unemployment as well as with the amount of benefit (which is partly determined by the funds each year). It is, in fact, a minimum estimate which has been retained on this account and no great significance should be attached to the fact that on this basis the share of the total Ministry budget earmarked for unemployment benefit decreases from 70% in 1970-71 to 67% in 1975-76.

3.105. What is significant, however, is the order of magnitude of the relationship between passive benefit payments and the sums spent on active measures to influence the labour market situation. Rough calculations show that if the unemployment rate in Germany, Norway, Sweden or the United Kingdom was the same as in Denmark in 1971 (i.e. 3.7%) and positive programmes remained at existing levels, the relationship between benefit payments and positive measures to bring about a better balance between supply and demand would be as follows:

Denmark	2 : 1
Germany	1 : 1
Norway	1 : 3
United Kingdom	1 : 1.5
Sweden	1 : 4

3.106. Following the analysis by G. L. Reid in his paper on "Income Maintenance during a Recessionary Period"* three major objectives of unemployment benefit payments can be distinguished: to assist in macroeconomic stabilization policy; to prevent hardship to individuals; and to contribute to employment policy by helping the individual in his job search and facilitating efficient re-employment.

3.107. However, these three objectives could also be attained, perhaps with greater efficiency even, by other forms of support in which the unemployed use their increased and enforced leisure for some socially desirable purpose, either by training for occupations for which there is likely to be a demand, by subsidized employment of one sort or another (e.g. the Public Service Employment practised in the United States) or by investment reserve funds or bulk procurement orders as in Sweden. Greater emphasis on this sort of measure would seem to be feasible within the short term; in the longer term, it may well be possible to proceed to a system in which the individual would be given even greater individual choice between different forms of non-work with assured income.

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* Printed in "Employment Fluctuations and Manpower Policy: Papers prepared for an International Conference", OECD, 1971.

Chapter IV

THE CONTEXT OF MANPOWER ADMINISTRATION

4.1. When it comes to the business of government, the Danes claim a preference for decentralization. True, there is evidence of a tradition of devolution of policy-making and administration away from the centre. To a non-Scandinavian observer, Sweden is an embodiment of decentralized government. But apparently when seen through Danish eyes, and contrasted with Denmark's institutional structure, the Swedish method of organisation begins to take on a rigorously centralized look. Moreover, the diffuse decision-making and administrative structure which the Danish authorities claim to have, is consistent with their predilection to rely on market forces to bring about the optimal allocation of resources.

4.2. This diffusion is only partly a question of distribution of decision-making powers between the centre and the periphery. Its most important aspect is the sharing of authority between the government and the strong employers' interest group, and the equally powerful trade unions. It is exceedingly difficult to determine the truth of the claim that Denmark has this very high degree of diffusion of authority away from the centre. Certainly, there has been a detailed and well informed discussion about the role and responsibilities of local authorities, and a new municipal structure is now being moulded. Nothing, however, indicates conclusively that strong central institutions are repugnant to the Danish machinery of government. But that appears to be the case only when the strong institutions are not government departments.

4.3. In Denmark, strong centralized institutions representing organised interest groups appear to make and implement policy on all kinds of things that other countries reserve solely to the government. What the Danish governmental machinery seems most concerned to do, is to hold the ring. This pattern of behaviour apparently applies to a greater or lesser degree over the full range of social and economic activity with which the authorities are concerned. For our purposes, these general propositions are most clearly illustrated in the case of the Ministry of Labour.

4.4. The Ministry of Labour has no formal part to play, and appears to take no overt interest in the processes of collective bargaining of pay, and related issues such as prices and the distribution of income. In that, the Danish Ministry of Labour is not perhaps unique among the manpower departments of OECD Member countries. The Danish "minimum government" approach is clearly demonstrated in manpower training, and in the making of arrangements for finding people jobs. For instance, full scale control of the Employment Services by the Ministry of Labour was not brought in until as recently as 1969. While organised employers approve of the transfer of this function from trade union hands to those of the Ministry, the unions are not exactly overjoyed by this government involve-

ment at a detailed level, in the operation of the labour market. And the Ministry does not seem to be at ease in this newfound role. As we have shown in Chapter III most of the authority in the field of manpower training still lies in institutions run by employees' and employers' organisations. What is more, we did not get the impression that there was any intention of increasing the scope for direct action by the Ministry of Labour in this field in the foreseeable future.

4.5. Any country's machinery of government is inevitably embedded in its own history, customs and traditions. An outside observer suffers the disadvantage of being cut off from that context; he cannot readily assess the informal parts of the system. However, that observer has the partially compensating advantage of being able to identify the functions to be performed, and the visible relationship of the structure of government to those functions. Of course, if there is an overall context which fashions and moderates each piece of governmental machinery, it is absurd to think that any one governmental institution can behave very differently from the others. It follows that if it is true that the whole Danish central governmental machinery adopts a posture of minimal intervention, no single department of state can, in reason, be expected to strike a different pose. We have already conceded that there are difficulties about answering this question. All the same, there is evidently some disquiet both among employers and in other government departments about the particular stance which the Ministry of Labour has adopted and continues, in the main, to hold.

4.6. With few exceptions, Ministries of Labour in OECD countries are not classed with the first rank of government departments. Quite often the political head of the Ministry of Labour is destined for better things, and the Department is a stepping stone to higher office. Alternatively, the portfolio is sometimes a reward for faithful service and goes to men whose interests lie elsewhere. With Ministers in transit their officials are largely concerned with keeping things ticking over with the minimum amount of bother. As a consequence, Ministries of Labour, in general, are held in small esteem and are not well placed to speak up powerfully when decisions are being taken on economic and social policy.

4.7. The central policy and administrative machinery of the Danish Ministry of Labour is passive rather than active and innovative. The Public Employment Service (PES) is operated by an executive agency - the Directorate of Labour. As things are at present, this Directorate neither gains nor loses from what the Ministry of Labour does, or does not do, assuming that the necessary funds are provided by the Exchequer.

4.8. Training activity in Denmark would not be much affected either by a disassociation from the Ministry of Labour. For, as we have seen, this Department has practically no involvement in the apprenticeship system. That stream of training appears to be happily channelled by employer and worker organisations working with the Ministry of Education. There is admittedly a training programme for unskilled workers, with which the Ministry of Labour appears to be directly concerned. A closer look at this situation is enough to show that the Ministry's involvement is more apparent than real. For the most part, its contribution lies in being a channel through which government money passes to organisations, which provide this training. To the extent that national considerations are taken into account at all in the programme of unskilled worker training, this is done in bilateral negotiations between organisations (of workers and employers) in the appropriate industrial and occupational groups. Provided government money continued to flow towards them, these programmes for unskilled worker training could continue to flourish without any Ministry of Labour involvement at all.

4.9. In the programme for retraining skilled workers, the government has been a handsome paymaster. Between 1968/69 and 1970/71, expenditure on this activity rose by over 61% (from 12,810,547 to 20,650,000 D.Kr.) This is an even quicker rate of build-up of expenditure than that of the programme for unskilled worker training, which though running at a higher level (61.25 million D.Kr. in 1970/71), had a rate of growth of about 32% in the three years to 1970/71. This operation is of critical importance to the economy. And the Ministry's role here illustrates well the limitations of the present institutions for managing the labour market. The planning, organising and administration of the skilled worker retraining programmes are largely done by officials of trade unions and employer organisations. It is possible to contend that even if the Department did nothing else, it should be taking a hand in the skilled worker training/retraining programme.

4.10. Why, it might be asked, should the Ministry of Labour behave out of character? One of the strongest arguments for an interventionist manpower policy can be deployed in answer to this question. Skilled workers' organisations in Denmark (as in some other European countries) are traditionalist, slow to adapt to new demands, and unwelcoming to change. Their members (especially in construction) are in high wage occupations. Demarcation between jobs is a characteristic of skilled workers' trades, and is widely prevalent within Denmark. Those who employ skilled workers, especially in construction, are not able to do very much about overall considerations: they are able to look at each trade separately but have neither organisation nor authority to take an inter-related view of demand for skilled labour and the supply of that type of manpower arising within the whole economy. At the same time, changes in technology, and in product output as well as in consumer demand have been affecting the industrial and occupational distribution of manpower in a radical way. The authorities could have been expected to take the view that trade unions and employer organisations should not be left alone to come up with a solution.

4.11. At a time when many OECD countries were reshaping their industrial training structures to enable them to anticipate and react to changing manpower needs, the desirability of an initiative in the field of training for skilled workers from the Danish Ministry of Labour could hardly be contested. To urge Ministry of Labour involvement in such a programme would have a dual aim. In the first place, without government participation a retraining programme is unlikely to be able to align existing skills with new demands associated with technological and occupational changes. While employers, and in broad terms the unions too, recognize that manpower redeployment is desirable, they cannot be expected to think about overall national needs. For instance, employers and unions are not likely to be much moved by the thought that a comprehensive (and financially attractive) programme of adaptation training would reduce the stock of manpower in the construction industry. Nor would all unions particularly welcome the thought that retraining could relax bottlenecks in manpower supply, although this would help other workers move out of areas of high unemployment and/or low wages, whilst simultaneously braking wage-price inflation. In other words, a big programme for retraining skilled workers can be of specific use for redeploying manpower out of construction. Such a programme can also contribute to the achievement of the more general objectives of increasing the supply of skilled manpower, and moderating inflationary bargaining pressures. But these are national rather than sectional objectives.

4.12. Despite these persuasive arguments, the Danish government's role in the retraining of skilled workers is largely restricted to finding the money. This is probably because the Ministry of Labour is, by inclination, organisation and general climate, unsuited to an interventionist role. We may be wrong but we came away with the impression that that Department, as at present composed, is cautious and sceptical about measures and policies for active management of the labour market. Moreover, the Ministry has neither the funds nor the resources of manpower required to take on that kind of task. For making an active manpower policy, an active management team is needed. The core of this kind of operation is organisational, and requires personnel and information systems which enable the responsible body to initiate action. This implies more than sensitive and acute responsiveness to demands originating from the labour market situation. An active manpower policy is not the sum of ad hoc reactions for the resolution of specific difficulties. The most essential ingredient in such a policy is forward planning and anticipation of likely needs. For that, an effective information collection and processing system is needed. At the same time, fixed plant and personnel capability is required to do the jobs shown to be necessary by the data processing. This capability has to be large and flexible enough to bring demand for manpower and its supply in regional, occupational and industrial sub-markets into a more even balance than would be produced by market forces alone. The main instruments for the manipulation of the labour market in this fashion are the PES, systems of training and retraining and the schemes for income maintenance in periods of unemployment. Closely related to these methods of influencing the labour market, is a programme of job creation in areas with low employment opportunity.

4.13. The Ministry of Labour now has direct responsibility for the PES. It also administers the unemployment insurance schemes. This was not the case four years ago, when both these instruments of labour market policy were in the hands of trade unions.

Better trained, more strongly motivated personnel are needed in the Ministry to think and to plan in these areas of activity. There is no doubt that a big training programme is needed for the officials who man the PES, and those who run the machinery of unemployment payments. It is a matter of grave concern that such a programme is not being run now: we recommend that a staff training programme be launched quickly, with the aim of putting all PES personnel through some kind of course within, say, three years.

4.14. Outside observers cannot say what institutions will or will not work in a particular country. What they can do is to draw attention to the need for certain things to be done. The possibilities of structural reorganisation of the management machinery appear to us to be of four kinds. A determined attempt can be made to strengthen and develop the existing Ministry of Labour. That would be a large undertaking. It would mean bringing in a great many senior policy-making and administrative staff. Perhaps a doubling of the Ministry's present complement of senior officials would give the operation a reasonable chance of success. In fact, more senior administrative and professional people than that will probably be needed. Good, well qualified people are especially required in the planning and research function that is needed to underpin policy-making.

4.15. None of this is to be read as criticism of people who currently serve the Ministry. Their competence and abilities are not in question. They are entirely appropriate to the tasks the Ministry has had traditionally to perform. Indeed if it is not accepted that new purposes have appeared which need to be served through an interventionist manpower

policy, then the structure of the Ministry of Labour needs no refurbishment. But if a basically new direction is being sought, it is not reasonable to expect officials accustomed to a particular tradition to turn with alacrity to a radically different venture.

4.16. A second approach might be to give charge of manpower policy to some central government department other than the Ministry of Labour. The Ministry of Education is already involved in training in a detailed way. This is one of the most important areas of an active manpower policy.

There are strong arguments for manpower policy to be treated as more than a mere question of training. It has been argued elsewhere in this report that a large scale manpower policy could be a useful addition to the tool-kit for regulating the economy. Coming at it from that direction, it makes a good deal of sense to consider a case for policy being formulated and operated by one of the central economic ministries such as Finance or Economics.

4.17. Yet another alternative is to have a new Ministry. Suppose, for convenience, such a new department was called the "Ministry of Employment and Manpower Development (MEMD)". This new department could take the existing Ministry of Labour as its nucleus. One possible pattern of organisation of the MEMD is a small departmental staff directly concerned with policy-making and supervision of executive agencies. The Minister at MEMD would have a high level Advisory Board. This board would be made up of representatives from DA, LO, the Ministries of Finance, Economics and Education. Additionally, the Advisory Board would contain the heads of the Executive Agencies responsible for operating the PES, Unemployment Benefits, Training and the schemes for employment creation. Each of these Executive Agencies would have an advisory council made up of representatives from the interest groups. A structure of this kind would not be too far removed from the traditions of Danish constitutional conventions to make it unacceptable. While achieving central control on policy issues, this structure would permit diffusion of authority and of function.

4.18. A fourth possibility is the establishment of a tripartite policy-making and executive agency. An organisation of this nature, while receiving funds from the central government, would be answerable in equal measure to the government, the employers and the trade unions. This is the most likely organisational context for gaining employer and trade union commitment to a radical restructuring of custom and practice in the labour market. With energetic and capable personnel, a body working independently but with the consent and support of industrial partners is likely to be well placed to attract substantial funds from Parliament. When it comes to decision taking about overall economic policy, a tripartite labour market body would be in good standing to make its voice heard even in the Ministries of Finance and Economics. There are disadvantages in this kind of body. The handing over of manpower policy (and manpower administration) as well as sizeable funds to an institution which is not directly answerable to the legislature could raise constitutional difficulties. Then again, unless the staffing of this tripartite agency was of the highest order, the new organisation could become a force for conservation of tradition rather than the nurture of innovation, especially if the industrial interests also tended to be unimaginative in their approach to manpower problems. It is not the OECD Examiners' business to meddle in Denmark's internal affairs too much. But what the Examiners have seen points conclusively to the need for a shake-up of the systems for managing the labour market in Denmark: we would propose that a wide ranging enquiry be undertaken within the country (comparable to that on the municipal government reform) about machinery for positive labour market policies.

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